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Current History

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In this issue, seven specialists analyze the political, economic and social challenges facing Mexico today. As our introductory article points out, "Notwithstanding the legendary flexibility and imagination shown by the Mexican regime, it now faces a great crisis of political order with a suspect technocratic elite that mismanaged the oil boom and a middle-aged party showing few signs of resilience or political responsiveness."

Political Tensions in the Mexican Party System

BY STEVEN E. SANDERSON
Associate Professor of Political Science, University of Florida

MIGUEL de la Madrid Hurtado succeeded José López Portillo as President of the United States of Mexico on December 1, 1982. Passing the presidential sash peacefully has become as common in Mexico as it is rare in other third world countries. De la Madrid is the sixteenth President of Mexico since the revolutionary constitution of 1917. His accession to power marks the eighth successive presidential term completed without interruption. And not since 1940 has a military man come to the presidency. Even then, President Avila Camacho attained the post through a hotly contested election and not through force of arms.

These are remarkable traits of political continuity still not enjoyed elsewhere in the hemisphere, and Mexico is often considered a model of political stability and civilian rule. In recent years, however, the country has begun to show political strains and internal problems that raise new questions about the durability of the ruling one-party system and even about the uniquely powerful presidency itself. The political base of the party-led populist government has shrunk in the wake of conservative land reform and incomes policies. Over the past decade, government economic policy has virtually failed to establish the Mexican economy as a regional leader, in spite of great oil wealth and economic diversity. Internal party loyalty has declined remarkably in a system that regularly denies political rewards to opposition party members and lavishes benefices on its own clientele. Surge parties and renascent traditional parties have made serious inroads in municipal and state elections and have embarrassed the government by winning several important local races. And the presidential system has failed to make a smooth transition to Cabinet government, even in the face of a growing and more complex state apparatus. Each of these criticisms is important. Together they combine with the most serious economic crisis in recent Mexican history to provide the possibility of fundamental challenges to a stable polity during the presidency of Miguel de la Madrid (1982–1988).

The Mexican President is one of the most powerful constitutional executives in the West. He has the power to remove governors and congressional delegates at will. He replaces Cabinet members regularly with little political cost. He controls a tight federal system in which states have little real autonomy. He is the standard-bearer of the *Partido Revolucionario Institucional* (PRI), the architect of the six-year party plan, and the *gran elector* who chooses his successor.[1] The formal trappings of Mexican electoral politics only serve to confirm the presidential choice, and in other elections, the party slate has traditionally won overwhelming majorities.

More important, the President is the guiding force in the public economy, being the principal state planner in a society where the public realm contributes nearly half of total investment. As the primary fiscal agent for the Mexican economy, the captain of one of the largest state oil monopolies in the world, and the executive of one of the top manufacturing economies in the international system, the Mexican President is

[1]Steven E. Sanderson, "Presidential Succession and Political Rationality in Mexico," *World Politics*, vol. 35, no. 3 (April, 1983), p. 315.

responsible for economic success in a more direct way than most chief executives.

However, recently, and particularly in the last presidential election, the role of the President has begun to depart from tradition. Before the selection of López Portillo in 1976, presidential candidates rose to power through the PRI. Most of the post-World War II Presidents held the office of Secretary of Government (Interior plus Police), and all were evaluated by their successes in earlier party posts. President Luis Echeverría Alvarez (1970–1976), for example, held many party posts over a 25-year period before his selection as official PRI candidate by Gustavo Díaz Ordaz in 1969. He held the position of Secretary of Government during the infamous Tlatelolco massacre in 1968, and rose through party ranks as a member of an important political clique.[2] His political career followed the party tradition and reinforced the patron-client reward structure of the PRI.

Beginning with López Portillo, however, a change seems to have taken place. In 1975, Echeverría rejected the party favorites, instead selecting a personal friend with little party experience but with significant administrative experience. Identified as a *técnico* more interested in the bureaucratic management of the state than the tradition of populist politics preferred by the PRI elite, López Portillo never had high standing in party circles. Predictably, he did not cultivate the party as a strong force in national politics in his term, and even sanctioned a "political opening" (*apertura*) that allowed a restricted but important level of party competition for the first time in more than two decades. President de la Madrid continues to change the relationship between the President and his party in a number of ways. He, too, was selected without strong party credentials and with very weak peasant and worker support. His first Cabinet offered only the Ministries of Education and Fisheries to party stalwarts; he preferred *técnicos* and career bureaucrats for all the sensitive posts in the new government. Not a single member of the current Cabinet has ever been elected to office. Meanwhile, the party has languished in relative isolation from the centers of power, and the lively in-party debates over policy have turned into party rifts that threaten to divide the PRI for the first time in modern memory.

PARTY WEAKNESS AND SUPPORT

For some years before the 1977 political reform began, the PRI had begun to lose its main claim to influence in the political system: the mobilization of a strong popular base of peasants, workers and professional organizations in support of a populist regime. The two principal factors in the party's deteriorating political base involved the evolution of the political system in a technical-managerial direction and the abandonment of populist policies that provided the party with its rewards system. The *pan y palo* (bread and stick) politics of the patronage party disappeared with the bread (i.e., political rewards). Those rewards, in turn, vanished with the arrival of a "new breed" of national politician not wedded to the revolutionary program of workers' rights and agrarian reform, but more interested in aggregate economic growth and cross-sectoral indicative planning. During times of relative wealth, such a system is carried by the dynamic of the growth model. But, in times of economic hardship—of the sort Mexico is suffering in the de la Madrid presidency—the system plants the seeds of political instability.

Mass support for the PRI and its government relies on the inclusion of the bulk of workers and peasants in the two relevant party organizations: the Confederation of Mexican Workers (CTM) and the National Confederation of Peasants (CNC). Both organizations are formal parts of the party (the other leading peak association is the National Confederation of Popular Organizations, which includes business and professional groups). After the Echeverría presidency, the two succeeding administrations have proclaimed an end to the traditional land reform program, mainly in response to the militance of the peasants and the strident opposition of business groups.

With the end of the agrarian reform and a worsening unemployment trend in the countryside, the peasants have not had much incentive to support the political system, except for reasons of survival in a climate of rural repression. Likewise, as the peasantry is dispossessed of its claims to the land, the CNC has not made any concerted attempt to organize rural workers, who still make up 36 percent of the economically active population and are the main component of the lowest income rung in Mexican society.

Agricultural policy is in disarray, the result of two successive presidential terms in which the goals of rural development were declared to be "shared development" with agrarian reform under Echeverría, and "food security" with no agrarian reform under López Portillo. The presumed opportunity to recapitalize agriculture and breathe new life into the poor peasant sector with oil revenues met with mixed success and almost universal criticism among political elites. The patronage that underlay the López Portillo administration's approach to rural development and peasant allegiance has disappeared in the current economic crisis and undercut potential rural support from the new President. At the same time, the CNC is apparently inert, attempting mainly to fend off challenges from rival rural organizations not affiliated with the official party apparatus.

Likewise, from the workers' perspective, the regime has lost influence for complex reasons. In the first

[2] Roderic A. Camp, *Mexican Political Biographies, 1935–1975* (Tucscon: University of Arizona Press, 1976).

place, since the end of Echeverría's presidency, real wages have declined every year except 1981, when they went up slightly.[3] Strikes have been handled with a firm constabulary hand, both by López Portillo and by Manuel Bartlett Díaz, de la Madrid's Government Minister. Trade union membership, which forms the core of the CTM and the PRI, has declined in recent years, and the official state labor leadership has not faced the critical problems of organizing rural workers or the urban working poor, who are mainly occupied in the service sector. In the 1981 party nomination procedure, Fidel Velásquez, the octogenarian head of the CTM, backed the then-Secretary of Labor, Pedro Ojeda Paullada, although no strong pro-labor sentiment was heard throughout the party or presidential campaign.

More important than the campaign differences within the labor ranks of the party—remember that the CTM is an official component of the governing party—was Velásquez's subsequent escalation of intraparty tension. In a first-ever break with party tradition, the CTM leader declared in 1981 that the PRI could no longer count on the unqualified support of the official trade union movement. Rather, the CTM would submit demands to the President and the party and concede support in the measure that labor's interests received attention.

Such a stunning break between the usually compliant official trade union movement and the head of the party was uniquely public and bitter. Clearly, the CTM leadership has felt tremendous pressure from the rank-and-file workers because of its docile acceptance of a regressive incomes policy. Even during the oil boom years of 1977 to 1981, labor scarcely gained in the face of escalating inflation. And corruption and internal labor repression of dissent contributed to a deterioration of the CTM's hold on its membership.

The labor element of the party is facing two crises that affect the stability of the political coalition that has guided Mexico for the past five decades: abandonment of member unions for rival organizations, and a growing independent union movement, led by elite workers in the service sector. The CTM crisis has been greatly compounded by the conflict between the President and Velásquez, which threatens to reshape the entire role of the labor movement in the regime, just when the government would presumably wish to exercise greater control over worker politics under an austerity regime.

Worker allegiance to the regime is perhaps more important than peasant support in times of economic stabilization. A highly organized and sophisticated trade union movement can undermine austerity programs and International Monetary Fund (IMF) agreements that threaten labor's class and organizational interests. Official bodies like the CTM are threatened by the relatively easy mobilization of union members or changes in their political allegiance. In the countryside, where much of the daily business of social control takes place out of public view, independent organization is more difficult, and peasant conditions are more disparate.

In Mexico, the CTM has been under challenge from independent unions for some years, and the appearance of the national university employees union in the late 1970's joined a serious intellectual critique of official labor politics with a strong service sector union committed to fundamental changes in labor politics at the national level. Likewise, electricians and nuclear workers as well as airline service unions have expressed dismay at the official trade union umbrella association, the CTM. At times, as in the case of the 1983 summer's wave of strikes by nuclear workers, university employees, and other independent unions, traditional labor politics become a challenge to the regime's policies. By refusing to accommodate austerity programs that mean job and wage losses, labor has set itself in opposition to the new President. De la Madrid's reaction to the strikes—threatened dismissals of strikers, refusal to negotiate new concessions and new attacks on CTM and other labor leadership—mark this President as a uniquely intransigent head of a party with broad-based formal labor support.

Cementing the President's confrontational attitude toward traditional party and labor politics has been the apparent wooing of the principal rival organization to the CTM, the Regional Confederation of Mexican Workers (CROM).[4] Recent reports indicate that de la Madrid is willing to revise the role of labor in the government radically, by offering a more important position to the CROM and undercutting the vertical organization of labor politics within the party. On the one hand, such a "pluralistic" approach to the labor movement might be construed as healthy, given the limited gains achieved by the CTM during its tenure as the lead association for Mexican labor.

PARTY WEAKNESS AND POLITICAL LIBERALIZATION

But a possible coalition between the government in power and the CROM also signifies a strong movement to the right in Mexico, and the reforms governing political liberalization have leaned away from conceding power to popular organizations on the left, while conceding more rein to rightist forces such as the CROM leadership. Combined with a strong antistrike position and heavy political cant against "enemies of Mexico," optimism about the recent political liberalization campaign must be qualified.

International Monetary Fund, *International Financial Statistics* (Washington, D.C.: International Monetary Fund, 1982). Using the minimum wage as a base, real wages declined in 1981 as well.

[4]*Latin America Regional Report: Mexico and Central America*, August 19, 1983, p. 5.

In two impressive reforms of electoral laws, the administrations of Luis Echeverría and Jose López Portillo "opened" the Mexican political system to new power contenders.[5] In the new climate of political liberalization, several new parties appeared and elections took on new meaning. Before the reforms, elections were less significant than the announcement of party candidate lists; the victory of the PRI seemed assured in almost all cases. In 1982 and 1983, however, the appearance of significant opposition forces—the *Partido Socialista Unificado de Mexico* (PSUM) on the left and the *Partido Acción Nacional* (PAN) on the right—has challenged the commitment of the PRI to genuine political liberalization and has threatened the hegemony of the party at its weakest moment in decades. Anecdotal evidence from 1983 indicates a wavering commitment by the party to such pluralism, an increasing involvement of de la Madrid in political party demagogy, and a potential conflict by year's end over the outcome of important state elections in the north.

Specifically, in 1981 the PSUM gathered the major left parties[6] to create a responsible opposition statement to the official PRI campaign. While the party never expected to win the presidential election of 1982, it perceived that the nationalist voice with a mass political base was not being given enough attention. The PSUM has not firmly established a mass electoral base, and it performed badly in the 1982 elections; but it maintained a certain credibility among the substantial leftist intellectual community and has stolen the reformist political agenda away from the sickly and rightward-drifting PRI.

On the other hand, the PAN—which has been a political party since 1939—has come out of political dormancy to resume an important role in the electoral process at the municipal and state levels, seizing the initiative from the PRI and raising questions about the viability of the PRI as an electoral machine in the 1980's. While such questions are premature at this point, the PAN recently won 12 mayoral races from the PRI in Chihuahua and Durango, including the cities of Ciudad Juarez, Chihuahua, and Durango, the latter two state capitals. In addition, the PAN guided its candidate to victory in Hermosillo, Sonora (another capital) last year, and dominates the Yaqui and Mayo valleys—the agricultural breadbasket of the nation—from the mayor's office of Ciudad Obregon.

In late 1983, the PAN made a good showing in the gubernatorial election in Baja California and might even win the governorship in Sonora. These elections will test the commitment of the PRI and the President to electoral pluralism; since 1939 no PRI candidate has lost a governorship. One suspects that the PRI cannot win in both states, as a total party victory would be widely construed as fraudulent. Given the unpopularity of the governors of those two states and the recent strength of the PAN, the right opposition has swiftly come from nowhere to issue a challenge to the dominance of the official revolutionary party.

In itself, of course, such a challenge at the state level means little. The governors have little real autonomy in the centralized Mexican system, and the north has a long tradition of separatism and political resentment of the PRI and the central government in general. The regime can survive well without the governorship of every state and could be substantially strengthened at the national level by permiting honest elections in the spirit of the 1977 and 1982 reforms. However, recent evidence indicates that the commitment of the government to political liberalization is highly qualified, especially when political stakes are high and the opposition is on the left.

In Juchitan, Oaxaca, a local left coalition of workers, peasants and members of the university community won municipal elections, in cooperation with the PSUM. Instead of permitting the elections to stand, the state government declared the election null and named an interim municipal junta with no popular standing in the community. The national Chamber of Deputies has been asked to impeach the state governor of Oaxaca (a request that would have been unlikely before the concession of proportional representation to the PSUM in the Chamber), and the town of Juchitan is polarized by the imposition of PRI politics in the face of a popular victory by the left opposition. Of course, violent repression and political battles in Oaxaca are hardly new, especially in Juchitan. But the PRI charge that electoral irregularities void the results of municipal voting strains the imagination, in view of the regular electoral fraud accepted by the PRI in municipalities controlled by loyal bosses.

COSTS OF MANIPULATION

The costs to the party of electoral manipulation in Oaxaca and possible interference in the gubernatorial races in the north later this year are much greater than any potential gains. Oaxaca is a state wracked by poverty and violence against indigenous populations. And the importance of the governorships of the north to the national government is slight. But such heavy-handed subversion of the electoral process brings out two principles of the current Mexican government, both with serious implications for its future stability. First, it is increasingly likely that the party will be unable to manage its traditional function at the local level: the social control and cooptation of political sentiment through a delicate combination of coercion and rewards. In a time of fiscal retrenchment, reduced labor

[5]See especially Kevin Middlebrook, "Political Reform and Political Change in Mexico," in Jack W. Hopkins, ed., *Latin America and Caribbean Contemporary Record,* Vol. 1 (New York: Holmes and Meier, 1983), pp. 149–161.

[6]The PSUM was an electoral coalition made up of the Mexican Communist party, the Movement of Political Action, the Mexican Popular party, the Revolutionary Socialist party, and the Movement for Socialist Action and Unity.

and peasant loyalty, challenges from opposition parties and high voter abstention, the PRI is left without its principal weapons of local influence.

Second, as the party turns to the right in labor politics, in attitudes toward agrarian reform, and in reaction to the PSUM and other populist forces within its own ranks (including most of the followers of Echeverría and former National Bank President Carlos Tello, among others), the probability increases that the PRI will itself divide along reformist versus loyalist lines, leaving a party rump to follow presidential leadership without compunction. Whether that split becomes formal or not, the isolation of reformists from the Cabinet and party leadership effectively shifts the party right and removes an effective reform voice from the party councils. In view of the long-term "social agenda" facing Mexico, such a dearth of reformist sentiment surely will reduce the credibility of the regime in general.

FUTURE OF THE PRI

Perhaps more important than the questions of internal party platform and its commitment to political liberalization, though, is the prior question of the role of the party in the future of the Mexican regime. For the first time since its creation in 1929, under de la Madrid the PRI may lose its position as architect of the government's mass politics, a possibility fraught with implications for the general stability of the government itself.

After nearly a half-century of continuity, the basic Mexican political equation has changed twice since 1976. At the end of the Echeverría presidency that year, old-style populism was abandoned, along with progressive wage gains for workers, agrarian reform for peasants, and welfare and entitlements programs for the poor in general. The idea that the party could govern the multiclass pact cementing the economic miracle years of 1940–1970 died with the inauguration of López Portillo. The painful transition from traditional populism to a more conventional system of trickle-down economic rewards and a less committed social policy endorsed by the national government was eased by the oil boom and the money it provided for social programs. Traditional populism became oil patronage, in the form of huge subsidies for basic foods, artificial employment by the state sector, huge infrastructure projects, and a debt-led growth model.

In the transition to oil patronage politics, however, the party lost out. *Tecnicos* managed the state, and the traditional party role of recruiting state elites diminished in favor of bureaucratic recruitment. At the same time, the party lost credibility at the local level, both for its cynicism and corruption, and for its inability to manage national and local politics on behalf of its traditional constituents. With the death of agrarian reform, the decline in worker fortunes, and the cultivation of business elites by government leadership outside party channels, the PRI became a relatively weaker electoral machine. It was no longer the mobilizing agent of a populist regime, and it no longer controlled the government's reward system sufficiently to dominate local politics in its traditional style. Not only did the party lose its positions in the Cabinet, but its central role in forming the six-year plan of the incoming President withered, to be replaced by indicative planning and program budgeting.[7]

In a stable, demobilized system with steady growth, such a transition would not necessarily affect the long-term ability of the regime to maintain itself. But the decline of party fortunes, accompanied by political liberalization, fiscal austerity and a debt crisis, has raised new questions about the "Mexican model" of one-party authoritarianism.

In the López Portillo years, the effects of party decline were not apparent. In fact, the realization that the PRI is in crisis has come largely in the past two years. Oil patronage papered over the lack of party patronage, and big-budget programs in rural health, food self-sufficiency, social security and jobs development salved some of the mass constituency of the party, at the same time creating a sense of national euphoria over the potential for development in an oil-boom economy.

The beginnings of political liberalization enhanced López Portillo's image without showing potential threats to the PRI, since new parties barely had time to coalesce before the 1982 elections, and the PAN leadership only reformed itself in 1978. The combination of the oil boom and the long start-up time of opposition party organizations served to delay the symptoms of official party decline.

In the new presidential administration of Miguel de la Madrid, however, all these factors favoring stability have disappeared. The oil boom is gone, and Mexico finds itself in the anomalous position of having to pump more oil faster in order to keep up with its debt service obligations. The debt crisis and the collapse of

(Continued on page 436)

[7]John J. Bailey, "Presidency, Bureaucracy, and Administrative Reform in Mexico: The Secretariat of Programming and Budget," *Inter-American Economic Affairs*, vol. 34 (summer, 1980), pp. 27–59.

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"While Mexico and President Miguel de la Madrid retain sufficient autonomy to maneuver diplomatically through the Contadora Group, the trend toward militarization and confrontation appears to make Mexico and the Contadora initiative increasingly irrelevant to the Central American equation."

Mexican Foreign Policy: The Decline of a Regional Power?

BY BRUCE MICHAEL BAGLEY

Assistant Professor of Latin American Studies, School of Advanced International Studies, Johns Hopkins University

RIDING the crest of the petroleum boom of the late 1970's, Mexico surfaced in the early 1980's as an independent and influential actor in hemispheric affairs, particularly in Central America. The clearest example of the country's growing foreign policy autonomy was President José López Portillo's diplomatic and economic support for the Sandinista revolution in Nicaragua from 1979 through 1982, despite deepening United States hostility toward that regime. Other examples included the Mexican–Venezuelan oil accord of August, 1980; the joint Franco–Mexican declaration on El Salvador of August, 1981; López Portillo's 1982 Central American peace plan (launched in Managua on February 21, 1982); Mexico's critical attitude towards the United States position in the Falklands–Malvinas conflict of April–June, 1982; and the Mexican–Venezuelan joint diplomatic note on the Nicaraguan–Honduran conflict put forward on September 15, 1982. In each case, the Mexican leadership evidenced open foreign policy disagreements with the United States over how to handle regional problems and undertook diplomatic and/or economic initiatives that ran counter to United States policies.[1]

In August, 1982, however, Mexico's five-year economic boom ended in a dramatic financial collapse, a result of falling petroleum prices on the international market, deepening world recession, and unrealistic and poorly implemented national economic development policies involving massive foreign borrowing. Consequently, when President Miguel de la Madrid Hurtado assumed office on December 1, 1982, he inherited a heavily mortgaged and deeply depressed economy teetering on the brink of bankruptcy.[2]

The threat of Mexico's default on its international loan commitments sent shockwaves through the highly exposed United States financial community and precipitated frantic United States government efforts to stave off unilateral Mexican action. Nonetheless, some members of President Ronald Reagan's administration believed that Mexico's economic difficulty contained a silver lining for the United States: Mexico would inevitably be forced to adopt a lower international profile and to pursue a less "adventurous" foreign policy in Central America and the Caribbean because of its lack of economic resources and its increased dependence on the United States and other foreign creditors. In other words, the obstreperous Mexicans would be forced to return to the sidelines of hemispheric affairs and stop undercutting United States policy in Central America.

Neither of these images of Mexico—autonomous regional power or economic basketcase—fully captures the complex reality of Mexico's contemporary relations with the international system. Oil wealth undoubtedly provided Mexico with the additional economic resources and the sense of self-confidence needed to assume an expanded role in hemispheric affairs in the early 1980's. At the same time, it was apparent to most observers, including many Mexicans, that even with oil wealth the country's own economic future remained inextricably tied to that of the United States. Mexican authorities could not afford to allow foreign policy disputes with the "colossus of the North" to spill over into, or damage, Mexico's bilateral economic relationship with the United States. Hence, even at the height of the oil boom, Mexico's foreign policy autonomy was effectively limited by its continuing economic and technological dependence on the United States, as well as by its overwhelming military inferiority. In short, Mex-

[1]For an analysis of Mexico's rise to regional power status during the López Portillo *sexenio* (1976–1982), see Bruce Michael Bagley, "Mexican Foreign Policy in the 1980's: A New Regional Power," *Current History,* November, 1981, pp. 353–356.

[2]By September, 1983, Mexico's image as a stepchild of the international banking system had begun to change as the de la Madrid administration proved able to meet the economic guidelines set by the IMF and the country's international payments surplus improved. But Finance Minister Jesus Silva Herzog has warned that Mexico will not be able to continue its severe austerity program for very long and may well have to postpone debt principal payments through at least 1985.

ico was never as autonomous an actor in foreign policy as it was sometimes portrayed to be during the euphoria of the petroleum bonanza. In fact, throughout the 1979–1982 period, the López Portillo administration was careful to present its various foreign policy initiatives in Central America as complements or reasonable alternatives to United States positions, rather than as frontal opposition. Furthermore, the Mexicans expressly recognized United States strategic interests in the region and maintained close communication with Washington.[3]

The polar image of Mexico as an economic basket-case is similarly flawed because it fails to take into account the complex nature of United States–Mexican economic relations in the 1980's. The extensive, although decisively asymmetrical, interdependence that characterizes the contemporary United States and Mexican economies, especially the heavy exposure of several major United States commercial banks, left the Reagan administration no real alternative but to assume the leadership of the international bailout needed to prevent total economic breakdown in Mexico after August, 1982. In spite of its distress over Mexican foreign policy in Central America and the Caribbean and its disapproval of the López Portillo administration's September 1, 1982, economic emergency policies (bank nationalizations, monetary controls, protectionism, reluctance to accept International Monetary Fund austerity guidelines), the Reagan administration moved quickly to backstop the Mexican economy, because failure to do so would have involved unacceptable costs to American economic interests, including several possible major bank failures and the severe disruption of the entire Western financial system.

Although the United States strongly pressured Mexico to reach an agreement with the IMF and tied much of its bailout aid to United States commercial interests (e.g., International Commodity Corporation credits for Mexican purchases of United States grains, advance payments against Mexican oil deliveries to the Special Petroleum Reserve), the Reagan administration made no overt efforts to link United States economic concessions to modifications of Mexican foreign policy either in Central America or beyond. The United States simply could not risk such linkages (although some in the administration were sorely tempted), because they would have met with intense resistance and might have precipitated a unilateral Mexican decision to default on the country's huge US$80-billion-plus international debt.

The point is that United States–Mexican asymmetrical interdependence cuts both ways. On the one hand, during the 1979–1982 period of oil-fueled expansion, Mexico's relative autonomy within the international system, although certainly greater than it had been, remained limited by the overwhelming importance of its bilateral economic relationship with the United States. President López Portillo had more political-diplomatic clout in the Caribbean Basin than his predecessors because of oil and the overall growth of the Mexican economy; but the ways in which this increased influence could be used in Central America or elsewhere and the degree of effectiveness he could achieve were still circumscribed by the hegemonic actor, the United States.

On the other hand, the collapse of the Mexican economy has not meant, as some observers predicted, that Mexican leaders have lost all foreign policy autonomy or that they have been forced to modify the basic thrust of their country's policies in Central America. Whether it liked Mexico's Central American policies or not, the United States government simply had to support a Mexican bailout. Under the circumstances, linkage strategies were essentially useless; United States leaders could not seriously threaten to withhold American economic support from Mexico even if foreign policy concessions were not forthcoming. As a result, during his last crisis-ridden months in office, President López Portillo continued and even intensified his diplomatic support for negotiated settlements of the conflicts in Central America, while simultaneously presiding over his country's tempestuous negotiations with the United States, the IMF and the international banks. During his first year in office, President de la Madrid pursued a similarly independent regional foreign policy, despite his country's virtually prostrate economy.

MEXICO IN CENTRAL AMERICA

President de la Madrid has demonstrated his government's determination to maintain an independent role in Central America by actively supporting the Contadora Group's efforts to bring about negotiated settlements of the conflicts in the region—a policy consistent with the earlier efforts of López Portillo. The first meeting of the Contadora Group (Mexico, Venezuela, Colombia and Panama) took place in early January, 1983, when their respective foreign ministers met on the resort island of Contadora in Panama (hence the name, *Grupo de Contadora*) to discuss the possibilities of coordinated action to defuse the increasingly explosive situation in Central America. Following a series of encounters between both Presidents and foreign ministers, the Contadora Group sponsored a four-point regional peace proposal involving an immediate cessation of fighting and arms shipments, the withdrawal of all foreign military advisers, the signing of mutual nonaggression pacts by the countries in the

[3]See Bruce Michael Bagley, *Regional Powers in the Caribbean Basin: Mexico, Venezuela and Colombia* (Washington, D.C.: Central America and Caribbean Program, School of Advanced International Studies, The Johns Hopkins University, 1983).

area, and the recognition of the sovereignty and right to self-determination of each of those nations.

While the Reagan administration ultimately decided to applaud the actions of the Contadora Group publicly to avoid being labeled as the major stumbling block to peace in Central America, in fact the United States has consistently expressed reservations about the viability of Contadora-style peace initiatives and has systematically ignored or downplayed them. During 1983, the Reagan administration rhetorically endorsed Contadora's search for peace in Central America, while simultaneously financing a not-so-covert war against the Sandinista regime in Nicaragua and increasing military and economic aid to El Salvador, Honduras, Costa Rica and even Guatemala. In September, the United States launched major joint naval-military maneuvers with Honduras, involving one of the largest United States contingents ever assembled in the region, to demonstrate United States support for the Honduran government, to increase United States–Honduran military preparedness in case of an eventual conflict with Nicaragua, and to further "tighten the screws" on the Sandinistas through "gunboat diplomacy."[4] And in October, in a surprising move, the United States invaded Grenada to "forestall a Cuban military buildup" (in the words of the administration).

American rhetoric aside, Mexico and the Contadora Group have confronted an increasingly hard-line and aggressive United States policy. Indeed, within the Reagan White House, Central American policymaking power shifted rapidly in mid-1983 from the "pragmatic" United States State Department and Assistant Secretary of State Thomas Enders to the "hard-line" and staunchly Reaganite National Security Council headed by William P. Clark.* While Secretary of State George Shultz was apparently able to win approval for his own choice for the key position of Assistant Secretary (Langhorne Motley, former Ambassador to Brazil) over the more conservative alternatives proposed by the White House staff, the rise of well-known hard-liners like United Nations Ambassador Jeane Kirkpatrick, United States Special Ambassadors Richard Stone and Otto Reich, and General Paul Gorman of the United States Southern Command in Panama to key advisory positions indicated that the Reagan administration is not likely to embrace the Contadora formula in the foreseeable future.[5]

The Contadora Group has sought support for its peace proposals among the Central American countries and the various opposition forces, as well as in the United States Congress and abroad. Central Americans have generally reacted cautiously to the Contadora efforts. Members of the United States Congress, particularly many Democrats, have frequently endorsed the Contadora approach but have been unable to force the Reagan administration to alter its policies or to move ahead with serious negotiations. In fact, by raising the specter of losing another Central American country to communism (like Nicaragua), President Reagan has been able to divide the Democratic party and to deflect much of his domestic opposition in and outside Congress. Finally, although the Contadora Group has made attempts to invoke the good offices of sympathetic European leaders like Prime Minister Felipe Gonzalez of Spain, Prime Minister François Mitterrand of France, and spokesmen of the Socialist International, the Reagan administration has steadfastly rejected their counsel.

In the face of United States resistance to Contadora and the intensification of the military dimensions of United States policy, President de la Madrid adopted a more subdued foreign policy and leadership style than his predecessor. Within Contadora, Colombian President Belisario Betancur (a progressive Conservative inaugurated on August 7, 1982) emerged as the most dynamic leader among the Contadora four. Several hypotheses have been suggested to explain de la Madrid's lower profile. Certainly his preoccupation with his own nation's acute economic problems diverted time, energy, and resources away from Central America. It is also clear that de la Madrid was concerned with reducing frictions and establishing a smoother relationship with the United States.

In this context, the fears expressed by some Mexican businessmen and policymakers over potential United States commercial reprisals and growing protectionism were believed to have forced de la Madrid to adopt a more cautious approach. Finally, some commentators have noted that de la Madrid feels less personally committed to Nicaragua and the Sandinistas than López Portillo.

In June and July, 1983, the de la Madrid administration suspended petroleum shipments to the Nicaraguan government because of the Sandinistas' failure to keep up payments on the US$300 million already owed. In light of Mexico's own economic difficulties and its subsequent decision in August, 1983, to renew oil supplies to Nicaragua, however, it appears premature to read into the action any major shift in the country's foreign policy stance.[6]

While de la Madrid may in fact feel less personally committed and more heavily pressured than López Portillo, Mexico cannot afford to be as generous with the Sandinistas as it was in the past. Equally relevant, it almost certainly could not shoulder a similar eco-

*Who was succeeded by Robert McFarlane in October.

[4]See "Mexico: Speak Softly or Carry a Big Stick," *Time*, August 29, 1983, pp. 28–29.

[5]See Richard J. Meislin, "New Moves by U.S. Sharpen Differences on Policy with Latins," *The New York Times*, July 26, 1983, pp. 1, 5.

[6]See Marlise Simons, "Mexicans Pressing Nicaraguans on Oil," *The New York Times*, August 13, 1983, p. 3.

nomic commitment if revolutionary regimes were to emerge in El Salvador, Guatemala or elsewhere in the area. Just as President de la Madrid has been forced to impose severe domestic austerity at home, he has also found it necessary to limit the economic resources his government can commit to foreign policy.

This does not mean, however, that President de la Madrid has "knuckled under" to Reagan administration pressure. There are two basic reasons why he is unlikely to do so. First, to counterbalance his rightward drift on the domestic front and forestall criticism from the Mexican left, it will be politically expedient to maintain, at least rhetorically, a progressive posture in Central America. Second, de la Madrid and his advisers believe that Mexican national interests will be better served by a policy that helps to prevent the widening of the conflicts in Central America and thus the likelihood of even deeper United States military involvement. Indeed, during his August, 1983, meeting with President Reagan in La Paz, Baja California Sur, de la Madrid expressed open disapproval with Washington's announced military maneuvers along the already tension-filled Honduran–Nicaraguan border.[7]

From the Mexican perspective, the Reagan administration's hard-line, military approach is fundamentally counterproductive; it promises to prolong and deepen the region's instability at great cost to Mexico. The most obvious costs for Mexico are represented in the flood of Central American war refugees pouring into the country. Some estimates put the total number of Salvadoran refugees in Mexico as high as 350,000 and the number of Guatemalans at around 100,000. If the wars in those countries continue for several more years, as even the most optimistic of the Reagan administration's pacification scenarios for Central America contemplate, than the numbers fleeing into Mexico will increase. If the United States, directly or through proxies, continues to press the war against Nicaragua from Honduras and Costa Rica, it is only a matter of time until refugee populations from these countries also begin arriving in Mexico.

Less obvious but even more costly to Mexico over the long run is the fact that continuing turmoil and instability in Central America will inexorably force the country's leadership to divert economic resources from development programs to defense (particularly of the vulnerable southern border and oil fields) and will shift decision-making power from civilian to military elites. In the context of the country's already severe austerity program, the additional sacrifices involved in financing a major military buildup could be exacted only through increasing repressive and authoritarian policies.[8]

In light of these perceived threats to Mexico's interests and the political advantages to be gained at home with a mildly anti-American foreign policy, it is highly unlikely that President de la Madrid will abandon his country's efforts to find peaceful solutions to the ongoing conflicts in Central America. Not only do the Mexicans feel threatened by the Reagan administration's bellicose strategy in Central America, they find it difficult to understand the long-term goals or purposes behind the Reaganite approach to the region. Unlike the United States leadership (both Republican and Democratic), the Mexicans have few reservations about dealing with single-party, authoritarian political systems of a socialist and revolutionary stripe. After all, Mexico's Institutional Revolutionary party (PRI) has ruled uninterruptedly for over half a century and continues to wrap itself in the (admittedly threadbare) mantle of the 1910 Mexican Revolution. For Mexico City, the overwhelming foreign policy priority in Central America is to end the fighting and stabilize the region politically and economically in order to avoid disastrous consequences for Mexico.

Like his predecessor, President de la Madrid believes that he can work with (and perhaps even moderate) the leftist revolutionaries in Nicaragua and elsewhere in Central America and the Caribbean. Power-sharing formulas through which the revolutionary left could participate in the governance of the country (and could even assume full control at some future point) are not, therefore, seen as threatening, or at least not so threatening as a widening of the conflict in the region.

In Washington, the principal policy priority is not stability but rather the prevention of further Soviet–Cuban Communist penetration in the Caribbean Basin. Political stability is a prized goal, but not if it comes at the price of another country "lost" to the Soviet Union. The range of regime-types the Reagan administration is willing to tolerate in "America's backyard" does not include socialist or Communist states, especially those allied militarily with Cuba and the Soviet Union. Indeed, rather than seeking an accommodation with the Sandinista regime, the Reagan administration appears convinced of the need to destabilize and ultimately roll back the Sandinista revolution, while preventing similar leftist victories in other Central American countries through stepped-up

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[7]George Skelton, "U.S., Mexico Differ on Latin Fighting," *The Los Angeles Times,* August 15, 1983, pp. 1, 11; Lawrence Rout, "U.S. Moves on Nicaragua Irk Mexico," *The Wall Street Journal,* July 29, 1983, p. 19.

[8]See René Herrera and Mario Ojeda, "Mexican Foreign Policy and Central America," in Richard E. Feinberg, ed., *Central America: International Dimensions of the Crisis* (New York: Homes and Meier, 1982), pp. 167–168.

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"The basic dilemma for the de la Madrid government is how to plan for the expansive development necessary to relieve unemployment, hunger and shortages of goods, while practicing the austerity dictated by conventional monetary and fiscal policy."

Mexico's Development Dilemma

By James H. Street
Professor of Economics, Rutgers University

Until the summer of 1982, Mexico was riding the crest of a growth wave that rested on newly discovered petroleum wealth and a vigorous government program for comprehensive development. Suddenly the economy felt the shock of a major financial crisis that forced the government to devalue the peso sharply, suspend payment on a massive foreign debt, and cut back severely on its ambitious global plan to turn the nation's nonrenewable oil resources into sustained industrial growth. Public surprise at the abrupt change of fortune was keen, and disappointment grew as the magnitude of the crisis was revealed.

The administration of President José López Portillo, which had benefited from the oil boom and launched the Global Development Plan, was in its last months as the economy began to fall apart. The government took emergency measures, but it fell to the new regime of Miguel de la Madrid Hurtado, who took office as elected President in December, 1982, to cope with the crisis and try to carry on a positive program. The administration's task was similar to President López Portillo's, who at the beginning of his term in December, 1976, had to repair the financial wreckage left by the outgoing presidency of Luis Echeverría Alvarez.

Mexico was apparently setting a pattern, in which each six-year presidential term, or *sexenio*, was characterized by a period of economic exhilaration, followed by a major crisis that confronted the incoming administration with a need to pedal backward furiously before resuming a forward path. In other countries, like Argentina, similar situations have been called "stop-go cycles" when abrupt shifts in policy have played havoc with long-term growth objectives.

The government of President de la Madrid currently faces a major dilemma. In order to overcome the financial crisis and prove to foreign banks and international lending agencies that it is putting its house in order, the government has had to impose severe restrictions on consumption, limit credit for industrial expansion and agricultural recovery, and increase the heavy burden of unemployment—in short, to emphasize austerity. However, as coauthor of the Global Development Plan inaugurated by the previous administration in April, 1980, President de la Madrid is committed to the long-term growth and development of his country, and this objective requires expansive policies not permitted by monetary and fiscal restraint.

Moreover, when Mexico returns to the growth path, the government will have to choose whether to continue to shield domestic industry behind protective walls of tariffs and other import restrictions, or to concentrate on competitive efficiency and promote the export of manufactured goods. The choice will be hard because economic recession and the inability to repay privately incurred debt has left Mexican industry in a weakened state.

The de la Madrid administration faces basic questions. How can it surmount the present financial crisis, and at what social cost? And how can the country return to a growth track, and under what long-range development strategy? Before these questions can be answered, deep institutional and cultural failings in Mexican government and business must be corrected.

Paradoxically, Mexico's present dilemma, which it shares with many other developing countries, would probably be less severe if the nation had not had exceptionally good luck in finding unanticipated oil resources soon after the onset of the world energy crisis in 1973. When the Organization of Petroleum Exporting Countries (OPEC) suddenly quadrupled the world price of petroleum in October of that year, Mexico was still a net importer of petroleum products. Proven oil and natural gas reserves were estimated in 1974 at no more than 5.8 billion barrels, but by the next year Mexico had become an oil-exporting country and by 1981 newly discovered petroleum deposits had increased the nation's proven reserves elevenfold to 72 billion barrels.[1]

Petróleos Mexicanos (Pemex), the government's petroleum monopoly, met the challenge of rapid expan-

[1]Statistics cited throughout this article are principally derived from official sources, which are currently published in *Comercio Exterior* (Mexico, D.F.). Annual data are summarized in the annual reports of the Banco de México, the United Nations Economic Commission for Latin America and the Inter-American Development Bank.

sion of oil extraction and by 1981 was able to achieve a rate of production of 2.74 million barrels a day. Refining capacity was doubled during this period and petrochemical production tripled. Mexican oil exports rose to 1.5 million barrels a day, about half of which went to the United States. Although there was much waste of natural gas in the extraction process, Pemex contracted in 1979 to deliver 300 million cubic feet of gas a day to a consortium of six United States pipeline companies.

Among nations with large known petroleum reserves, Mexico now ranks fourth, and it is also the world's fourth largest producer. In 1980, Mexico displaced Venezuela as the fourth largest supplier of oil to the United States.

Revenue from foreign sales of oil and gas expanded enormously, reaching $3.8 billion in 1979, $9.5 billion in 1980, $13.8 billion in 1981, and $16.1 billion in 1982. While the increase in export earnings came with great rapidity, the Mexican government repeatedly overestimated its anticipated resources in setting its annual budgets. When the international market for oil weakened in the summer of 1981, the López Portillo administration was obliged to trim spending based on an expected export revenue for 1982 of $20 billion; the final budget counted on only $16 billion. Revenue for 1983 was forecast at another $16 billion, but in March the government reduced its estimate to $13 billion, still high by standards prevailing before the world energy crisis.

The rising income flow permitted Mexico to recover rapidly from the financial debacle inherited from President Luis Echeverría Alvarez's government in 1976, and provided a basis for financing the new Global Development Plan. Moreover, ready lenders from abroad swelled the volume of dollars, Japanese yen and European currencies available for investment and increased consumption. The Mexican government and its virtually autonomous agencies, like Pemex, and giant private financial-industrial combines, like Grupo Industrial Alfa, engaged in an orgy of borrowing from foreign commercial banks, the International Monetary Fund, the World Bank, and the United States Treasury and Federal Reserve System, with the result that current spendable income far exceeded current earnings from exports. In 1970, at the beginning of the Echeverría administration, Mexico's external debt, both public and private, was estimated at about $6 billion. By the end of the *sexenio,* in 1976, the total foreign debt had quintupled to $30 billion.

Under the López Portillo government, foreign borrowings continued to rise; by the inauguration of President de la Madrid in December, 1982, the combined external debt was variously estimated at from $80 billion to $85 billion, of which more than $70 billion (increased by the nationalization of private banks in September, 1982) represented obligations of the federal government. Since the end of 1978, Mexico has ranked second among the developing nations of the world in the size of its external debt, threatening to surpass Brazil. The following year nearly two-thirds of Mexico's export earnings were required to service this debt.

THE GLOBAL DEVELOPMENT PLAN

After a two-year struggle to stabilize the economy after the 1976 recession, in March, 1979, President López Portillo announced a National Industrial Development Plan that was to become the first phase of a Global Development Plan elaborated a year later.[2] The industrial development plan was designed to reduce the excessive concentration of manufacturing in three centers, the Valley of Mexico, Guadalajara and Monterrey, and to stimulate growth in eleven regional development zones throughout the country. Even though unemployment and underemployment, normally high in a country with a rapidly growing population, had been intensified by the economic recession, the government chose to emphasize the establishment of basic industries in preference to labor-intensive enterprises. It was anticipated that by creating new opportunities on the northern and coastal borders, as well as at interior locations, the industrial development program would arrest the flow of migrants from rural areas to the principal cities and would thus take the pressure off the government to provide urban services.

The early phase of the industrial development program did generate a considerable increase in employment as many new industrial projects were undertaken at scattered locations. Since the Mexican labor force has been increasing in recent years at about 800,000 workers per year, new construction was an important element in the boom period.

Partly to achieve cost savings, but also to diversify its sources of foreign investment and decrease its reliance on United States know-how, Mexico turned to Japanese firms to provide much of the basic technology for large-scale construction. With varying degrees of vigor, four new "industrial ports" were begun, at Tampico and Coatzacoalcos on the Gulf of Mexico, and at Lázaro Cárdenas and Salina Cruz on the Pacific coast. Early in 1981, the Mitsubishi Company began a $150-million dredging and harbor construction project to enlarge the port at Altamira-Tampico, and the Kobe and Sumitomo steel companies were awarded contracts totaling $96 million for the installation of a tube mill and foundry at Lázaro Cárdenas. Other Japanese

[2]Estados Unidos Mexicanos, Poder Ejecutivo Federal, Secretaría de Patrimonio y Fomento Industrial, *Plan Nacional de Desarrollo Industrial, 1979–82* (Mexico, D.F., 1979); Estados Unidos Mexicanos, Poder Ejecutivo Federal, Secretaría de Programación y Presupuesto, *Plan Global de Desarrollo, 1980–1982* (Mexico, D.F., April, 1980).

firms were given orders to build petrochemical plants at Tampico and Coatzacoalcos. In addition, the Nissan Motor Company announced plans for a $200-million expansion of its Datsun plant at Cuernavaca. Japanese investment in Mexico reached a historic high of over $600 million in 1981 and continued to expand in 1982.

Canadian firms were also invited to invest in Mexico as an offset to continued dominance by subsidiaries of United States corporations in mixed foreign and domestic enterprises. During this period, Canadian companies invested in a silver mine in Zacatecas, provided telephone switchboards for the Alfa industrial group, and supplied the Mexican electrical system with technology for the long-distance transmission of high-voltage current.

An important part of the Industrial Development Plan was the expansion of the state petroleum industry. President López Portillo repeatedly emphasized that the principal objective of the plan was to convert the nation's nonrenewable hydrocarbon resources, which would ultimately become depleted, into a sustained, diversified growth program that would allow Mexico to produce most of its own consumer goods and create a surplus of manufactures for exportation. He warned that the process must not be accelerated too rapidly, for fear of afflicting the country with "economic indigestion" from a flood of oil revenue that would generate inflation.

The President originally set a limit of 2.25 million barrels a day (mbd) as a goal or "platform" for petroleum production that would provide the financial means for industrial expansion and a vast program of social assistance, while still conserving the basic resource. By March, 1980, however, he was persuaded that rising domestic demand for oil products required a 10 percent increase in oil production if export goals were to be maintained. Jorge Díaz Serrano, director general of Pemex, urged that the production platform be raised even higher, to 4 mbd, but by 1981 the accumulation of an oil surplus in depressed world markets meant that Mexico could no longer sell all the petroleum it intended to export without accepting a cut in prices.

During the period of rapid expansion, investment in the petroleum sector was given first priority. In anticipation of revenues, Pemex borrowed heavily abroad to acquire necessary drilling and refining equipment and to broaden its base of operations in the petrochemicals field. European and United States bankers became concerned that Pemex was floating too many loans at prevailing peak interest rates without giving the international financial community time to evaluate the growing risk represented by Mexico's exploding foreign debt.

In the meantime, pressure to expand oil exports persisted, as trade between Mexico and the United States grew by more than 60 percent in 1980, and the Mexican trade deficit increased correspondingly. Imports in all forms exceeded the total value of petroleum exports in that year by about $7 billion. While maintaining commercial oil shipments, in September, 1981, Mexico entered a long-term agreement with the government of the United States to supply the latter's strategic petroleum reserve at rates of 200,000 barrels a day until the end of 1981 and 50,000 barrels a day thereafter through August, 1986. Prices were to be adjusted quarterly.

Earlier concerns about the need for conservation and the dangers of rapid expansion of oil and gas exports were lulled when President López Portillo announced on September 1, 1981, that Mexico's proven hydrocarbon reserves (including both oil and natural gas) had reached 72 billion barrels and that total "potential" reserves were calculated at about 250 billion barrels. Despite warnings by national leaders that Mexico was becoming "petrolized" and committing the same error of "boom and bust" that had been seen in Iran, Venezuela and Nigeria, the public perception grew that Mexico had unlimited wealth. A heady rise in levels of consumption among the urban upper and middle classes soon converted what was to have been a steady but gradual growth process into a raging consumer extravaganza.

THE RURAL ASSISTANCE PROGRAM

Despite prosperity in the cities, a vast number of poor farmers in the rural villages who grow mainly corn and beans for their own subsistence saw few benefits from the oil boom. Their lot has been made harder in recent years by a series of severe droughts that have sharply reduced farm incomes and threatened people in many zones with mass starvation. The drought of 1979 so drastically reduced domestic supplies that the Compañía Nacional de Subsistencias Populares (Conasupo), the government's food distribution agency, increased its imports of foodgrains to 11 million metric tons in 1980, 2.5 times the volume imported the previous year. By September, 1980, the cost of food purchases from the United States reached $2 billion, and the government placed large orders for grain and other foodstuffs in the United States and Canada in succeeding years.

In response to the critical food problem, in March, 1980, President López Portillo announced a program he called the Sistema Alimentario Mexicano (SAM) to increase domestic agricultural production.[3] The program set bold targets to achieve self-sufficiency in corn and bean production by 1982 and in rice, wheat, soy

[3]Oficina de Asesores del C. Presidente, *Sistema Alimentario Mexicano: Primer planteamiento de metas de consumo y estrategia de producción de alimentos básicos para 1980–1982* (Mexico, D.F., 1980); Abelardo Martín and Carlos Ferreyra, "El SAM, esfuerzo totalizador," *Uno más Uno* (Mexico, D.F.), August 6, 1980, pp. 1, 7.

beans, and sorghum by 1985. In addition to stimulating output through credit and technical assistance, the SAM program was intended to improve levels of nutrition and raise money income among the small subsistence farmers who constitute the majority of Mexico's agricultural producers.

At an estimated cost of about $4 billion for the final three years of his term, President López Portillo's Global Development Plan included an extensive social assistance program to deal with rural poverty under an agency known by its acronym, Coplamar. This agency was given the task of constructing health clinics, sanitary water systems, local food outlets and feeder roads to alleviate the social and geographic isolation of the rural poor and bring them into a market economy.

While extremely costly, the rural assistance programs represented the government's attempt to reduce the inequities of the oil boom, since Mexico lacks an effective graduated income tax or an adequate social security system to redistribute income.

THE GLOBAL EDUCATIONAL PROGRAM

When the Global Development Plan was announced in April, 1980, it elaborated an exceedingly ambitious goal—2.2 million new jobs in all sectors of the Mexican economy between 1980 and 1982. Since the energy and manufacturing sectors could not be expected to meet more than a fraction of this goal, most of the job creation effort would have to be carried out in the agricultural, construction and service sectors.

The plan projected a need by 1982 for 264,000 additional professionals with graduate training, 220,000 technicians with undergraduate degrees, and 1,526,000 skilled workers of all types. However, the great majority of Mexican adults remain functionally illiterate, especially in poorer regions. The National Council on Science and Technology estimated that in 1975 nearly 70 percent of the Mexican male population over 30 years of age, the bulk of the labor force, had not completed four years of primary schooling.[4]

The educational task was therefore staggering, and the Secretariat of Education was charged with rapidly expanding a vocational training program designated as CONALEP, and with augmenting the fields of university instruction under the newly announced Plan for Higher Education.

THE DISINTEGRATION OF THE DEVELOPMENT PROGRAM

While critics of the Global Development Program regarded it as wildly unrealistic in its short-term aspirations and charged that it relied too much upon a federal bureaucracy not noted for efficiency or honesty, at least the plan sought to direct the nation's new-found oil wealth to constructive uses and singled out for attention most of the major deficiencies in the national pattern of production and consumption.

Nevertheless, ominous signs of failure began to appear during the boom years. Consumers in the urban areas went on a buying spree long before Mexican industry was ready to produce the desired goods. Shopping centers were filled with foreign wares, and contraband trade, particularly across the northern border with the United States, reached record levels. Nearby cities, like Houston, El Paso and Los Angeles, became magnets for Mexicans with dollars to spend, and many wealthy Mexicans invested in luxury homes along the Texas coast, in cattle on the United States side of the border, and in dollar securities.

Inflation, which the government had succeeded in bringing down to a rate of 17 percent in 1978, began to rise again. In 1981, the consumer price index increased by 28 percent, and during the following year prices leaped another 99 percent. The increase in the cost of living was most acutely felt by the urban poor, who were shocked to learn on August 2, 1982, that overnight the government had raised the price of corn tortillas and bread, essentials of every Mexican's diet, by 100 percent. Later in the year, to reduce the cost of food subsidies, the government again doubled the price of these staples.

Dismayed by the indications that his program was crumbling, López Portillo reacted to public criticism and made frequent speeches denouncing speculation, bureaucratic inertia, and corruption within his own government. Yet he lacked effective fiscal controls, and it was apparent that a considerable part of the revenue of the state oil monopoly was finding its way into private hands. Well-publicized increases in the national debt burden and the deficit in the current account (foreign trade and services) led speculators to apply pressure to the peso, and there was a large flight of capital from the country. Many industrial firms hoarded dollars rather than commit them to investment because they feared a devaluation, and their hesitancy slowed the development program.

Events moved swiftly in 1982 as the economic crisis mounted. On February 17, 1982, the Banco de México withdrew support for the peso, which had been stable throughout most of the López Portillo *sexenio,* and its value dropped precipitously by about 45 percent. Private companies with large dollar obligations were hard hit by the devaluation because these obligations now required nearly twice as many pesos to pay off. At the same time, industrial labor unions pressed for wage increases to offset inflation. When the government granted increases ranging from 10 to 30 percent by official decree, many companies refused to pay, saying that they faced bankruptcy. In April, 1982, Grupo Industrial Alfa, Mexico's largest industrial conglomerate, suspended payment on $2.3 billion in debt, including $2 billion owed to foreign banks, many in the United

[4]Consejo Nacional de Ciencia y Tecnología, *National Program for Science and Technology, 1978–82* (Mexico, D.F.: Editorial CONACYT, October, 1978), p. 56.

States. In August, Alfa refused to pay even the interest on its dollar debt, which by then amounted to $1.2 billion.

Rumors began to circulate that the Mexican government would also be unable to meet payments on its debt, and a massive flight of dollars from the commercial banks followed. Threatened with the loss of its monetary reserves, the government had to devalue the peso again, and on August 5 it established a dual exchange rate—a floating rate for most transactions and a preferential rate for such crucial imports as food and interest payments on the foreign debt. The floating rate quickly plunged about 35 percent, from about 49 pesos to the dollar to 75 pesos. Shortly thereafter, the government imposed exchange controls for the first time that severely limited access to their bank deposits by holders of dollar accounts. Many business firms and Americans living in Mexico were shocked to discover that they could liquidate their deposits only with heavy losses. A black market rapidly emerged in which dollars could be obtained only at a cost of 150 pesos to the dollar.

In desperation at the continued outflow of dollars, Finance Minister Jesús Silva Herzog turned to the United States government for emergency assistance and received $2 billion in credits, half in the form of advance payments by the Department of Energy for oil purchases for the Strategic Petroleum Reserve, and half in a loan from the United States Commodity Credit Corporation toward Mexican purchases of grain. Other negotiations were conducted with foreign commercial banks to postpone payment of $17 billion in short-term debts, and the Bank for International Settlements, a consortium of central banks, was persuaded to lend $1.85 billion in emergency credits.

This remarkable bail-out operation was to be supplemented by an additional $3.9 billion to be provided by the International Monetary Fund (IMF) over a period of three years. The Mexican government requested this assistance with particular reluctance, since President López Portillo had taken great pride in retiring a previous loan from the Fund incurred at the beginning of his regime. The IMF loan, when it came in December, 1982, was accompanied by strict conditions imposing austerity on the newly installed government of President Miguel de la Madrid Hurtado, intensifying restrictive measures that the López Portillo administration had already begun.

Unable to stem the hemorrhage of gushing monetary reserves, on September 1, 1982, López Portillo took the unexpected action of nationalizing all the country's private banks and placing their operations under government control. With the banks, the government acquired a major interest in many private enterprises partially owned by the lending institutions.

[5]Miguel de la Madrid Hurtado, "Mensaje a la nación," *Comercio Exterior* 32 (December, 1982), p. 1283.

While President López Portillo blamed the banks for permitting and even encouraging the capital outflow from the country, foreign investors were alarmed by the sudden change in the government's attitude toward private property, and new investments virtually came to a halt as confidence evaporated.

President-elect de la Madrid was reported to have disapproved of the government's drastic action in nationalizing the banks, and it was expected that he might reverse the action after he took office. When, however, his administration began to compensate the former owners with government bonds a year after the takeover, it was evident that the banking system would remain under state ownership and control.

Revelations in the last year and a half of the López Portillo administration appeared to confirm rumors that had long circulated about massive corruption in Pemex and other state agencies, as well as in private firms dealing with the government. An investigation by the United States Department of Justice under the Foreign Corrupt Practices Act led to the arrest by the Mexican Attorney General of two former high-ranking Pemex managers and four Mexican business executives on charges of arranging "kickbacks" amounting to $45 million to Pemex officials in return for contracts to sell oil equipment.

Throughout his campaign for the presidential election, which took place in July, 1982, the candidate of the Institutional Revolutionary Party (PRI), Miguel de la Madrid Hurtado, inveighed against corruption in the government, which was controlled by his own party. After his election, he continued to call for "moral renovation" as a major objective of his new regime.[5] Many close observers of Mexican government and business administration shared the view that the traditional custom of the *mordida* (bribe) and the kickback had done much to undermine the Global Development Plan, and that appeals for moral renovation alone would do little to correct these practices.

The impact of the financial crisis of 1982 on the Mexican economy was extremely severe. The annual growth in the gross domestic product, which had exceeded 8 percent in each of the boom years 1979, 1980 and 1981, collapsed to no growth at all in 1982, and was expected to decline by 2.5 percent in 1983. A rough estimate was that one million people had lost their jobs by mid-1983, when the official unemploy-

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"The world oil glut and Mexico's subsequent need for large-scale United States and international assistance to avoid bankruptcy have injected a rare element of pragmatism into Mexican energy policy."

Oil and Politics in Mexico

BY GEORGE W. GRAYSON
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MEXICO City's cartoonists have had a field day with their country's hydrocarbon reserves, which have increased over 12-fold to 72 billion barrels in the last decade. Some have depicted *el petróleo* as a guardian angel, fluttering down to save the nation; others have shown it as a new Virgin of Guadalupe, also playing a redemptive role; finally, it has been sketched as black gold, flowing profusely from a cornucopia-like vessel resembling Mexico itself.

These caricatures notwithstanding, the oil has proved a mixed blessing to this ancient Aztec nation of 75 million inhabitants. The highly publicized deposits did attract hundreds of bankers, who literally elbowed each other out of the way to offer the federal government, Petróleos Mexicanos (Pemex), the state oil monopoly, quasipublic agencies, and private corporations loans on increasingly generous terms. "They . . . [had] an almost blind faith in the country's reserves," according to the *Economist* (London).[1] The influx of dollars facilitated the achievement of a key goal of President José López Portillo's 1979 Industrial Development Plan: gross domestic product (GDP) grew by approximately 8 percent each year between 1978 and 1981. Pemex drilled scores of new wells onshore and in the shallow waters of Campeche Bay, laid hundreds of miles of gas and oil pipelines, built loading terminals at Dos Bocas and Salina Cruz to handle supertankers, and launched construction of a giant complex to make the country self-sufficient in key petrochemicals. The expansion helped generate nearly one million new jobs annually.

This growth was accompanied by the beginnings of "petrolization"—a neologism connoting an overheated economy fueled by huge oil revenues, growing reliance on foreign creditors to pay for surging capital and luxury imports, a convulsed agricultural sector, and—above all—gaping budget deficits. Rather than raising taxes, Mexican leaders chose to cover the growing deficits by printing crisp new peso notes and borrowing heavily abroad.

This action spurred inflation, which fell to 17.5 percent in 1978 only to climb to 18.2 percent in 1979 and 26.3 percent in 1980. Even with slight monthly adjustments vis-à-vis the dollar—the so-called "dirty float"—the peso's overvaluation was obvious. A dearer peso discouraged tourism, inhibited the export of Mexican manufactures (some of which were relatively labor-intensive), and exacerbated reliance on oil and its derivatives to earn foreign exchange. Hydrocarbons, which generated 16 percent of Mexico's export earnings in 1976, accounted for over 75 percent of these revenues five years later. Meanwhile, a grossly overvalued peso gave the middle class access to foreign goods and travel on a scale out of reach of their counterparts in many developed states, thus accentuating the debt crisis.

Until mid-1981, most Mexican policymakers believed that oil prices would continue to rise. Higher prices would assure foreign exchange earnings that would continue to propel economic development, while funding illicit payments to hundreds of self-serving politicians, Pemex officials, and union leaders preying on an industry suffused by corruption.

A confluence of factors—record production in Saudi Arabia, conservation measures, reduced consumption, substitution of other fuels in industrialized nations, and expanded output by Great Britain, Mexico, the Soviet Union, Norway, Egypt, and other non-OPEC producers—generated a 2 million to 3 million bpd (barrels-per-day) world surplus in early 1981.

Mexico's attempt to maintain high prices—$38.50 per barrel for its light Isthmus variety crude and $34.50 per barrel for the heavier Maya grade—as the seller's market shifted in favor of buyers sparked an exodus of customers, a sharp decline in export earnings, and a major hemorrhage of dollars. Small and large investors alike increasingly doubted the government's ability to protect the markedly overvalued peso. To help bolster Mexico's flagging economy, President Ronald Reagan's administration purchased 109,000,000 barrels of oil for the United States Strategic Petroleum Reserve (SPR), established to immunize the United States against short-run disruptions in supply. This government-to-government transaction (announced in August, 1981) contrasted with previous purchases for the SPR, which had involved giant oil

[1]July 3, 1976, p. 100.

companies as intermediaries. The sale to the SPR symbolized a more pragmatic policy, which increasingly manifested itself in Pemex's approach to pricing. Market pressures gradually forced price cuts: by late 1982, Pemex was offering Isthmus at $32.50 per barrel and Maya at $25. The latter was especially attractive to fuel oil producers serving the United States east coast, where Mexico was displacing Venezuela in sales.

A further example of Mexico's pragmatism came in a second sale to the Strategic Petroleum Reserve. This $1,000,000,000 deal was signed in September, 1982, as part of a multibillion dollar rescue package to pull Mexico from the brink of bankruptcy. The accord involved a government-to-government sale of approximately 40,000,000 barrels of Isthmus at the extremely favorable price to Washington of $25 per barrel.

Seven months later, Mexico accepted without posturing or diatribes a decrease from $4.94 to $4.40 in the price per thousand cubic feet of natural gas sold to Border Gas, a consortium formed by six United States pipeline companies. As recently as 1979, dismay at the unwillingness of the United States to accept what Mexico perceived to be a fair price for its natural gas prompted López Portillo to administer a tongue-lashing to United States President Jimmy Carter during the latter's visit to Mexico City. An oversupply of natural gas in the United States and Mexico's still relatively high price also led Border Gas to reduce daily imports from 300 million cubic feet to 180 million cubic feet, a move that, coupled with the lower price, cost Pemex $169.1 million in earnings in 1983.

CLOSER TIES TO OPEC

When Mexico pragmatically enlarged its volume of exports during a contracting world oil market, Venezuela suffered the greatest loss. In October, 1982, Mexico surpassed Saudi Arabia as the principal exporter to the United States market. Increased Pemex sales also contributed to the pressures besetting OPEC (Organization of Petroleum Exporting Countries) to lower the price of Saudi Arabian light, the reference crude on which OPEC prices are based. Indeed, at least seven members of the cartel had begun quietly trimming prices, providing discounts, extending the period for payments, tying the crude price to its product yield value, and employing other ingenious methods to sell their oil below the minimum level set by the group.

For obvious reasons, Venezuela and other OPEC members had urged Mexico to join the 13-nation cartel. Mexico, traditionally eager to maintain its freedom of action in international affairs, demurred. Nonetheless, it generally followed the cartel's pricing lead.

A reevaluation of Mexico's oil policy attended the election and installation of a new Chief Executive, Miguel de la Madrid, in December 1, 1982. Before his inauguration, a special "energy committee," one of several transition task forces examining key policy areas, recognized inter alia the need to "avoid conflicts with the rest of the producing companies. . . ."[2] According to its report, it behooved Mexico to

> leave open the possibility of entering OPEC and abandon its unilateral policy of isolation that is incompatible with its status as an important world class producer and exporter of petroleum.

Even if it did not affiliate with the cartel, the country should embark upon a "search for new forms of dialogue, cooperation and negotiation with OPEC, with some of its most distinguished members and with non-OPEC exporting countries."[3]

De la Madrid and Marío Ramón Beteta, Pemex's new director general, took these proposals seriously in fashioning an international energy policy. Cooperation replaced competition with OPEC as Mexico explored ways to help stabilize a world petroleum market whose collapse would have dire consequences for its debt-ridden economy. After all, between 1979 and 1982 petroleum consumption by non-Communist nations had shrunk 12 percent to 46 million bpd. During this period, OPEC's share of the market had declined from 31 million to 20 million bpd, and prospects for the cartel appeared bleak in the absence of a commitment to lower prices and establish a new production quota.

In March, 1983, after months of haggling, the OPEC members reaffirmed a decision reached a year earlier to limit their combined output to 17.5 million bpd and to adhere to a lower benchmark price of $29 a barrel. Producers promised to refrain from both discounting prices and producing more crude than their assigned quotas.[4]

Although not a party to this accord, Mexico followed the negotiations carefully. From February to mid-March, Pemex held off quoting prices to buyers, awaiting action by the cartel. High representatives of the Mexican government attempted to keep abreast of market developments in meetings held with counterparts from Venezuela, Algeria, Saudi Arabia, Nigeria, Norway and Great Britain in advance of the London negotiations. During that conference, Mexican officials in the British capital kept in close touch with the OPEC ministers.

Moreover, in the aftermath of the agreement, Mexico brought its Isthmus price ($29) into line with OPEC charges and announced the continuation of a 1.5-million bpd export ceiling during 1983 for reasons of "long-term interest." As Beteta and Energy and Mines Minister Francisco Labastida expressed it:

[2]PRI, Instituto de Estudios Politicos, Economicos y Sociales, Comisión de Energéticos, "Energía y Sector Externo" (a draft for discussion), September 22, 1982, p. 22.

[3]*Ibid.*, p. 23.

[4]Heavy crudes are independent of OPEC's price structure but Mexico reduced Maya to $23 per barrel, aligning it with the Venezuelan price for heavy varieties. In August, 1983, both countries raised their heavy crude prices to $24.

> In spite of [Mexico's] current situation of excess demand for Mexican crude, we will continue to hold to this export target. In today's delicately balanced market, any attempt by a large exporter to maximize foreign exchange revenues in the short run increases the risk of a similar action by other exporters that also require additional foreign exchange. Eventually, such behavior could affect the current price level. This would imply a further reduction in foreign exchange income for oil exporters.[5]

President de la Madrid learned first hand about Pemex when he served as director of the monopoly's finances in the early 1970's. He knew of the firm's major strengths—well-trained, dedicated engineers, a noteworthy research and development capability and the most sophisticated structure of any oil company in the third world. He also knew of its weaknesses—rampant featherbedding, waste, profiteering and malingering.

As a result, he brought in Beteta, an outsider with a reputation for honesty, to shape up Latin America's largest corporation. A 55-year-old lawyer and economist, Beteta had held a series of high-level government posts: under President Luis Echeverría, he had served as Treasury Minister (1975–1976) and under López Portillo he had headed the Banco Mexicano Somex, a government-run institution that encourages, funds and even manages industrial ventures.

Beteta took the reins of Pemex at a time of retrenchment. A belt-tightening program hammered out with the International Monetary Fund (IMF) probably reduced the GDP by 3 to 5 percent in 1983. Meanwhile, Pemex found itself strapped for funds as price reductions lowered the firm's export revenues from all hydrocarbons to $14.5 billion, down from $16 billion in 1982. Pemex's budget for 1983 was $6.5 billion, a 42 percent reduction in real terms over 1982. The new director general faced the challenge of maximizing physical and financial yields from the monopoly's existing installations, while completing only high-priority projects like the huge La Cangrejera petrochemical complex on which work was well under way. The cutback forced Pemex to stack drilling rigs, postpone expanding some refineries and pipelines, and lay off over 10,000 employees from a distended payroll of 120,000.

Just to keep its 2.7-million bpd output, Pemex had to earmark $2 billion for new wells in all major fields already in production, including Cactus, Samaria and Canduacan, to compensate for declining yields from existing wells with falling reservoir pressures caused in some cases by the use of improper management techniques during the previous administration.

Maintaining production with fewer resources was a task that paled in comparison to Beteta's assignment to combat corruption in the oil sector. De la Madrid had vowed to push "moral renovation," the anticorruption theme that he trumpeted from Chihuahua to Quintana Roo in his electoral campaign. This concept aroused tremendous interest because the ubiquitous corruption affects everyone—from the equipment salesman required to pay a kickback to the company purchasing agent to the taxpayer incensed by ex-President López Portillo's moving into an ostentatious five-home compound on 7.5 acres outside the capital. "It doesn't matter if they steal a bit," said a taxi driver inured to forking over *mordidas* or bribes for real or fictitious traffic infractions, "but they shouldn't steal so much."

De la Madrid has begun his drive where they do steal "so much": the oil sector, which generates three-fourths of Mexico's foreign exchange and where corruption and chicanery abound. Each new Mexican chief executive vows to put the government's house in order just as his United States counterpart regularly pledges to balance the budget. Of course, neither promise is fulfilled. Yet de la Madrid knows that he must husband every peso available to revive a limp economy. Politically, a spirited, well-publicized crusade that sends a couple of "big fish" from the last administration to jail would raise his standing now that his ever so brief honeymoon with the Mexican people has ended because of his no-nonsense application of a stern stabilization plan.

Placing Beteta at the helm of Petróleos Mexicanos represents an encouraging sign of presidential interest in reforming an industry that had become a dollar-filled trough of peculation during the previous administration. For instance, Pemex constructed a $1.5-billion gas pipeline from the Isthmus of Tehuantepec to the Texas border when the enlargement of one or two existing lines and the addition of several connecting lines could have accommodated the flow at a fraction of the cost. Similarly, Pemex constructed a 50-story-plus skyscraper at its Mexico City headquarters complex when decentralization of economic activity was a stated priority of the López Portillo regime. It would have been vastly less expensive to have erected five 10-story buildings than to have built the "Pemex Tower," especially in view of the abundance of land owned by the monopoly. In a January 21, 1982, speech, Beteta warned that "while I am director . . . immoral deals will not be made in the shadow of the largest national industry."[6] Two months later, he stressed that

> our industry belongs, not to the petroleum workers alone, but to the nation as a whole. Intelligent management and proper usage of our resources must favor Mexico, and our basic objective is to serve the community and not to benefit the individual.[7]

The real test of the anticorruption drive is whether it takes on the 120,000-member oil workers' union

[5]*Petroleum Intelligence Weekly,* May 30, 1983, p. 9.
[6]*Proceso,* March 21, 1983, p. 9.
[7]Pemex, General Director's Report: *Petróleos Mexicanos* (Mexico City: Mexican Petroleum Institute, 1983), p. 19.

(STPRM), which is in a class by itself when it comes to shady activities. A wide array of charges have been leveled against STPRM's leaders by former union officials, by the leader of the National Petroleum Movement (a reformist element within STPRM), by scholars, and by investigative reporters for such publications as the magazine *Proceso* and the daily newspaper *Excelsior*.

While nominally it is just another labor organization, the union and its 29 locals not only boast an effective political apparatus but also hold business interests in posh hotels, oil drilling concerns, construction companies, huge farms, credit unions, supermarkets, hospitals, swimming pools, gymnasiums and funeral homes.

Nobody begrudges the union the right to amass wealth and influence. But evidence is accumulating that this wealth has been built on activities which, in many cases, have taken money from the pockets of rank-and-file workers to enrich union big shots. For example, under its contract with Pemex, the union recruits virtually all nonmanagement employees of the oil monopoly. Union officials often take a "bite" out of the checks of the estimated 13,000 "aviators," people who don't work but show up to collect their wages on payday anyway. Retired workers may be obliged to labor on union farms or risk the loss of their pensions. A petroleum engineer hands over thousand of dollars to the union for a life-long position; and temporary secretaries sometimes pay for their jobs with sexual favors.

Pemex channels 2 percent of all its investments to the "social works" of the union. This contribution totaled $220 million between 1976 and 1982. Undeniably, much of this money went to projects that benefited union members, like housing, sports complexes, schools, and health clinics. However, some critics question whether all these funds are directed to the projects.

The press in Mexico City regularly comments on the affluence of senior union officials, including their fondness for large homes, private airplanes, jewelry, and trips to the gaming tables of Las Vegas. How union officials accumulate such wealth has never been documented in detail, but it is known that some top officials wield great patronage influence through companies formed in the name of their locals in activities ranging from pipe manufacturing to construction. Such firms allow union officials to take advantage of a Pemex concession, first granted in 1977, awarding the union 40 percent of all onshore drilling contracts.

According to reports, this enabled the companies belonging to the union locals to subcontract the drilling work and pocket handsome commissions. In some places, like Poza Rica, union companies collected commissions from Pemex on wells that were needlessly drilled. The stakes in the Pemex-union drilling deal can be seen by the fact that Pemex spent nearly $4.5 billion for onshore drilling between 1977 and 1981.

Drilling contracts are centralized in the union-dominated National Commission of Contracts, headed by Joaquín Hernández Galicia. Known by friends and foes alike as "La Quina," a childhood diminutive of his first name, Hernández Galicia is the real power behind STPRM, although he has not been its elected director since 1964. He continues to place his loyalists, like current union president Salvador Barragán, in key union posts.

One of La Quina's bitterest enemies and critics is Hebraicaz Vázquez Gutíerrez, who founded the National Petroleum Movement in the early 1970's as a reform element within the union. Vázquez, who had served as a local union official, claimed the union uses some 3,000 armed men on Pemex's payroll to repress dissidents and whip up support for union ventures.[8] Vázquez's efforts at reform ended in failure and he was subsequently arrested on a charge of being involved with a guerrilla movement and jailed. Since his release, Vázquez has been unable to get his job back with Pemex, but his friends have sent petitions to the new Mexican government requesting his reinstatement.

Why hasn't the government cracked down on the "petroleum jungle," as journalists describe the oil industry? To begin with, labor is the sturdiest pillar of the ruling Institutional Revolutionary party (PRI), and the oil workers energetically mobilize funds, crowds and votes for favored candidates at all levels. An ability to deliver support won La Quina easy access to the presidential palace under López Portillo.

Moreover, displacing La Quina and his disciples might only bring in a new generation of STPRM leaders, every bit as self-serving as their predecessors but not as devoted politically to the PRI. Investigations of the union could also reveal further peculation within Pemex itself.

De la Madrid claims to be up to this Herculean task, as evidenced by his appointment of the outspoken Beteta. Yet fear of strikes and other dislocations in this pivotal sector raises doubts that sweeping actions will soon complement Beteta's tough words. The new director general is already suspect for having loaded Pemex's executive offices with highly paid, inexperienced confidants from the Banco Mexicano Somex. Nonetheless, Beteta is smart, hardworking, close to the President, and with a reputation for honesty both in Mexico and among international bankers; and four months after taking office, he threw his weight behind the successful removal of La Quina-backed officers in Local 43, a small maintenance unit, and their replacement by a slate endorsed by the rank and file.[9] Even more significant, the government has indicted Senator

[8]Interview, Mexico City, May 31, 1978.
[9]*Proceso*, April 11, 1983, pp. 22–23.

Jorge Díaz Serrano, head of Pemex during the last administration and "architect" of the oil boom, for participating in a $34-million fraud in connection with the monopoly's purchase of two Belgian natural gas tankers in 1980.

President de la Madrid seems to have decided that taking up the fight will advance both his political interests and the interests of his country. To pull his nation from the brink of bankruptcy, he needs all the economic resources at his disposal. That means slicing through the inefficiency, bureaucracy and corruption that holds back the Mexican economy.

His campaign is more than just an interesting political sideshow; it is central to Mexico's future. Not only does corruption divert resources from needed modernization, it also instills cynicism among workers. They see that payoffs and the right connections are more important in getting ahead than hard, honest work. This in turn nourishes their alienation from the political system and adds to the enormous strains already besetting it.

SAN JOSÉ ACCORDS

Austerity has affected the "Economic Cooperation Program for Central American Countries," commonly known as the joint facility or the San José Accords, after the city in which the agreement was signed on August 3, 1980.[10] This bold plan represents the first collaborative aid effort between an OPEC and a non-OPEC country. Under its terms, Mexico and Venezuela each pledged to ship up to 80,000 bpd of oil on concessionary terms to the five Central American nations plus Panama, Jamaica, Barbados and the Dominican Republic. The exporters promised to grant the importers credits amounting to 30 percent of the commercial price of their purchases for a period of five years at an annual rate of 4 percent. Should the resources derived from these credits flow to "economic development projects of priority interest," notably those spurring domestic energy production, the loans could be extended to 20 years at 2 percent yearly interest, with a five-year grace period. These credits were offered at a fraction of the commercial rate; for instance, the Eurodollar interest rate at that time was approximately 10.5 percent. With donor approval, all countries of the area, including Cuba, were eligible to join the program, which could be renewed annually after an initial one-year period.

Mexico and Venezuela would supply the needs of recipients equally, although shipments of petroleum would be made in accordance with commercial contracts entered into bilaterally by Mexico and Venezuela and the individual purchasing nation. Moreover, an effort would be made to export the oil in ships operated by the Multinational Fleet of the Caribbean (NAMUR), which was set up in 1975.

Even after the agreement was approved, Venezuela tried to convince Trinidad and Tobago to become the facility's third donor. Instead, the island oil producer announced formation of its own loan plan for the 11 members of the Caribbean common market. Between 1980 and 1982, Trinidad and Tobago pledged $208 million to pay the incremental costs of oil, fertilizer and asphalt for the program. In fact, economic considerations at home and political problems abroad limited allocations under this scheme to approximately $75 million.

Caracas and Mexico City renewed the San José Accords in 1981, 1982 and 1983. The second and third renewals were especially impressive because of the serious economic problems afflicting both countries, whose foreign exchange earnings have declined because of falling oil prices. The donors still grant five-year loans automatically. Yet the criteria for the 20-year credits have been altered to emphasize priority development projects or those that promote regional economic integration.

Belt-tightening in Mexico and Venezuela did lead to a modification of the facility in August, 1983. The maximum volume of oil supplied by each nation remains 80,000 bpd; however, the rebate has fallen from 30 to 20 percent of the commercial price. This change leaves the value of concessional aid essentially intact because of the $5.00 per barrel price drop in 1981. The donors also hardened the terms for the five-year and 20-year credits.

Despite the 50–50 supply provision, Mexico failed to match Venezuela's shipments during the first two years. In fact, Mexican exports averaged only 37,925 bpd, 47.4 percent of its 80,000 bpd target in the first year. The two donors have shared the load more equitably since August, 1981, and in 1983 Mexico supplanted Venezuela as the dominant exporter.

Mexico and Venezuela agreed to provide half of each recipient's imports. In fact, refinery conditions and propinquity have dictated that Venezuela would become the exclusive supplier of Barbados and that Mexico would be the sole exporter to Belize should the former British colony seek oil. This postage stamp-sized nation became the tenth beneficiary member of the facility in August, 1982.

Ships for NAMUR have yet to be acquired, possibly because of the unfavorable economic conditions affecting tanker owners in the early 1980's.

(Continued on page 435)

George W. Grayson has written *The Politics of Mexican Oil* (Pittsburgh: University of Pittsburgh Press, 1981). Praeger will publish his next book, *Mexico and the United States: Patterns of Influence*, in early 1984.

[10]For an analysis of the program, see George W. Grayson, "The Joint Oil Facility," *Caribbean Review*, vol. 12, no. 2 (spring, 1983), pp. 19–21, 49.

"Present circumstances leave little room for maneuver with regard to agriculture. The government's stabilization program . . . reduces its capacity to subsidize or to pursue ambitious administrative programs and instead emphasizes production and trade."

Mexican Agricultural Policy

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Long before headlines about an oil glut, devaluations, and foreign debt, Mexicans were referring to "the crisis" in discussing their political economy.* The term connotes a host of distortions that accompany late industrialization in a populous rural society, one that borders on the most powerful economy in the world. Symptoms of the crisis abound: highly skewed income distribution, rapid population growth and urbanization, malnutrition, inadequate services, and an aging political system whose capacity to cope is increasingly questioned.

Two pervasive symptoms merit closer inspection. First, Mexico's income distribution is among the least equitable in the world. In 1977, the poorest 40 percent of the population received between 8 and 12 percent of personal disposable income: ". . . only in Honduras, Peru and Brazil is the share clearly lower than in Mexico."[1] Of the poor, the rural population tends to be worst off. Of the nearly 4.6 million families defined as poor in 1975, fully 75 percent lived in rural areas.[2] This reality lies at the heart of the crisis. It suggests that the vast majority of the population exercises insignificant political influence. With regard to policymaking, it means that an incremental approach and the orthodox policy instruments of a mixed economy (e.g., fiscal subsidies, price controls, and the like) are extremely costly and, in the absence of fiscal reform, difficult to sustain. Second, population growth and urbanization (along with rising real incomes, at least until 1982) increases the overall demand for goods and services at an exponential rate. Given the various structural bottlenecks in the economy, this means that stimulating rapid economic growth (as, for example, through large public deficits) results quickly in high rates of inflation. Rather than eliminating age-old problems, the oil boom of 1978–1982 left behind an even more distorted economy.

THE AGRICULTURAL PROBLEM

Agriculture might best be thought of as a crisis within the crisis. In comparison with industry and services this sector has been relatively neglected since the late 1950's. The more modern farming units, typically capital intensive and well managed, emphasize livestock (especially feeder cattle, pigs, and poultry), fruits, winter vegetables, cotton and feed grains, and have responded effectively to market forces over time. Their levels of production have kept pace with overall economic growth. Producers in these areas are wealthier, better organized, and receive a variety of public subsidies, like irrigation and cheap energy. Their products are consumed by urban workers and middle sectors and are also sold in foreign markets, largely the United States. Organized under the misleading title of National Confederation of Small Farmers (CNPP), these producers are the more dynamic and productive sector in farming. ("Small Farmers" are defined as those who own up to 200 hectares of rainfed land or 100 hectares of irrigated land.)

Traditional farmers, in contrast, work smaller units with rudimentary tools and inferior production inputs, emphasizing staple crops, especially maize and beans. These foods are consumed by virtually all sectors of the domestic society, but are especially significant to the poor majority, who typically cannot afford meat, dairy products and processed foods. To illustrate, in 1970, 64.5 percent of Mexican farms comprised fewer than 12.5 acres of arable land, which constituted only 14.7 percent of total arable land. At the upper end of the scale, the larger farms (62.5 acres or more) constituted 3.8 percent of the units and 34.7 percent of arable land.[3] By and large, the smallholders *(minifundistas)* include the bulk of the collective farmers *(ejidatarios)*, who are esteemed by the nationalist left as the principal protagonists and legatees of the Mexican

*The views presented here are the authors' and not necessarily those of the institutions they represent.

[1]Joel Bergsman, *Income Distribution and Poverty in Mexico* (Washington, D.C.: World Bank, Staff Working Paper no. 395), p. 17.

[2]*Ibid.*, p. 21.

[3]P. Lamartine Yates, *Mexico's Agricultural Dilemma* (Tucson: University of Arizona Press, 1981), p. 157.

Revolution. Although a variety of organizations claim to represent this sector, the smallholders tend to be politically ineffective, the objects rather than the subjects of agrarian policy. Official neglect has taken a greater toll on smallholders, who have seen their relative welfare suffer because of inadequate price supports for their crops and lack of sufficient production inputs (credit, improved seeds, fertilizers, extension services).

Beyond the various classes of landholders is a vast stratum of some 4 million landless day laborers, who make up the poorest and politically weakest rural group, lacking legal standing or an organizational base from which to approach political authorities. These landless, along with the smallholders, comprise the legions of urban in-migrants who abandon the countryside in search of a better life in urban areas or abroad.

In terms of a "problem complex," then, Mexican authorities have attempted to craft policies to provide sufficient staples at affordable prices for domestic consumption (especially in the crucial urban areas), while also pursuing Mexico's absolute advantage in the international economy. An important welfare goal has been to raise living standards for the rural poor by increasing agricultural productivity among smallholders and creating jobs in agribusiness for the landless. The policies have been pursued in the context of certain national political realities: the so-called "Small Farmers" are the dynamic productive base who exercise significant political power (counting among their ranks high-level militants of the Institutional Revolutionary party, the PRI); and although smallholders and the landless may lack clout through established channels, rural violence in the form of land invasions is the stuff of daily news, and the potential for greater violence is ever present. The compelling international reality is that Mexican agriculture is increasingly being shaped by the regional (largely United States) and global economy, as United States-based multinationals increase their investments in Mexican export crops and as United States exports (e.g., machinery and technology) contribute to the continuing commercial development of Mexican agriculture.

In 1972–1973, Mexico began to import food grains (wheat and corn) in significant quantities for the first time. Since then, the debate has centered on whether to commit enormous resources and massively involve the government in raising living standards and moving toward food self-sufficiency, or whether to rely more on domestic and international market forces to solve the food supply problem. The latter would relegate the state to a lesser role, for example, allowing the government to subsidize food for the poor. Not surprisingly, governments have avoided such a stark choice, preferring to pursue both goals simultaneously.

But without sufficient resources, much of the attention to the *ejido*-smallholder sector has been rhetorical. This has created a contradictory policy stance, in which political authorities have appealed to the populist agrarian tradition of the Revolution to gain legitimacy, but have channeled resources to the "Small Farmers" and cattlemen because of their power and productivity. The Luis Echeverría Alvarez government (1970–1976) succeeded in drawing attention to the seriousness of the agricultural problem and made some advances in sectoral planning. The José López Portillo government (1976–1982) began with a conventional policy (i.e., one that emphasized market mechanisms and trade advantages) but shifted in 1980 to a crash program of food self-sufficiency called the SAM (Mexican Food System).

President Miguel de la Madrid Hurtado has clearly rejected the López Portillo approach to self-sufficiency and has placed greater emphasis on stimulating productivity, which has somewhat helped the "Small Farmers," who are both exporters and domestic suppliers. This shift is consistent with other policies he has introduced under the slogan of "economic realism." Given the serious hardships imposed by the austerity program, the new agricultural policy must be pursued prudently and with due respect for the sensitivities of the nationalist left. An important tactical advantage that President de la Madrid enjoys—at least in the short run—is that the SAM and the political forces allied with it presently suffer the stigma of being associated with the failures of the López Portillo administration.

RISE AND FALL OF SAM

In his landmark speech of March 18, 1980 (to celebrate the 1938 nationalization of the petroleum industry), José López Portillo announced a cap on petroleum production and exports, a "postponement" of Mexico's entry into the General Agreement on Tariffs and Trade, and the introduction of the Mexican Food System (SAM).[4] Taken as a whole, the speech signaled a turn away from a conventional development program (which the government had followed during 1976–1979 while adhering to its agreements with the International Monetary Fund) toward a course of more rapid growth with greater emphasis on domestic concerns. Food self-sufficiency had been a goal of the administration from the outset; but the announcement of the SAM was the first indication of a specific program to achieve this goal.

Several factors may have influenced the policy shift. First, a serious and prolonged drought in 1978–1979 required enormous agricultural imports from the United States in 1980 (totaling about US$2.4 billion, including 9.5 million tons of grains and oilseeds worth US$1.7 billion). Second, the specter of a petroleum

[4]For a brief account, see John J. Bailey, "Agrarian Reform in Mexico," *Current History,* November, 1981, pp. 357–360; 391–392.

bonanza as production soared and international prices climbed meant that resources were finally at hand to confront the agrarian question. Third, a group of planners from the Council of Presidential Advisers produced a comprehensive program for agricultural recovery and development.

Enormously helpful to the *Samistas*, as the planning group came to be known, was United States President Jimmy Carter's partial embargo of grain exports to the Soviet Union in January, 1980. Mexican elites, sensitive to the vulnerability of food shortages and ever suspicious of United States intentions, were thus more receptive to a program as ambitious as SAM.

The SAM was the most comprehensive and ambitious food and agriculture policy introduced in Mexico since the Revolution. Although it appeared quite suddenly, plans and studies that eventually supported the SAM had been under way for several years. The goal of the program was to achieve food self-sufficiency in a way that would improve income distribution without damaging Mexico's export capacity. As a selling point, the SAM aimed for self-sufficiency in corn and beans by 1982 and in other basic commodities (e.g., wheat, rice, and sorghum) by 1985. Most important, this was to be the principal means of sowing the oil, of using a temporary source of income to create an enduring productive base to serve the whole nation.

SAM promised benefits to everyone, but its distinctive emphasis was on improving the welfare of the very poor. Based on a nutrition survey conducted in 1977, target groups of the seriously malnourished, totaling some 19 million, were identified. SAM would provide subsidized "baskets" for these groups, designed to conform to consumer preferences in the various regions of the country, that is, emphasizing wheat in the north, maize in the highlands, and rice in the humid tropics. The other principal ways of improving welfare were by emphasizing the rain-fed areas in which the smallholders predominated and stressing agribusiness to provide employment to the rural landless.

A critical assumption of the SAM was that much land in the rain-fed areas was underutilized, either abandoned or inadequately worked; thus, the potential for new production was considerable if the proper inputs could be made available. To encourage participation by the rural poor, who tend to be risk averse, SAM introduced the notion of "shared risks"; the government would bear most of the risk of crop failures, paying farmers a sum to cover their production costs, as well as part of the value of the crop had it been brought to market.

Seven months after the announcement of SAM, the Law for Agricultural and Livestock Promotion (LFA) was introduced into the Congress. Though billed by the government as the legal foundation for the implementation of SAM, critics of the law pointed to features that implied an emphasis on production and that would concentrate the wealth in the rural areas even further. Among these, provisions that allowed for the alliance of *ejidos* with small farmers to form so-called "production units" aroused concern among the nationalist left, who saw in this one more step in the dispossession of the *ejidatarios*. Opposition to the bill within the normally docile PRI was so strong that President López Portillo was forced openly to pressure the dissidents back into line. Skeptics continued to insist that the SAM was a sop to the left, while the LFA was the "real" policy. The skeptics were silenced, however, at least in the short run; the SAM moved ahead vigorously, while the implementing decrees for the agricultural law were continually postponed.

While there was fairly intense rhetoric about reaching a new stage in the agrarian reform with a new alliance between the state and the peasantry, at bottom SAM was a series of public subsidies for production, processing and consumption. Federal expenditures for "agriculture and fishing" increased from 93.3 billion pesos in 1979 to 160.9 billion pesos in 1980 and reached 234.6 billion pesos in 1981, an increase of 92.9 percent in real terms. Subsidies were allocated to various production inputs (improved seeds, fertilizers, fuels, machinery), to processing (milling, packaging), and to consumption (retail sales through the network of CONASUPO, the government agency that provides basic necessities to the lower classes). Credit was provided on subsidized terms to enterprises that could demonstrate their contribution to the SAM goals. Most important in the short run, however, were increases in price supports that put the supported commodities well above world price levels. One source estimated that in 1980 alone US$2 billion was spent for production subsidies, in addition to US$1.5 billion for consumption.[5]

In brief, SAM appeared to be an enormous success in 1981 and a qualified failure in 1982. Overall agricultural production increased dramatically in 1981 over 1980. In the critical areas of corn and beans, the production increases were much higher, some 19.2 and 51.3 percent respectively. In 1982, however, production dropped, corn by 18 and beans by 26 percent. While the short-term target of self-sufficiency was met in dry beans, Mexico continued to import corn (although in much lesser quantities than 1980). Since SAM was implemented for only two years, this is only a tentative evaluation.

In economic terms, the principal criticisms of the program were that it was inefficient, that is, that it cost too much in relation to alternative ways of stimulating production while improving welfare. The program probably improved the welfare of the smallholders to

[5]Gretchen Heimpel, "Mexico: Agricultural and Trade Policies," United States Department of Agriculture, *FAS*-306, October, 1981, p. 6.

some degree, but to the extent that inflation eroded the incomes of the landless, this group may actually have suffered somewhat. To the extent that SAM's most effective policy instruments were increased price supports and subsidized production inputs, the principal beneficiaries tended to be the "Small Farmers," who produce for the market and employ more capital-intensive methods. This was perhaps to be expected, since the program sought tangible accomplishments in a short time. But the welfare goal of raising living standards for the rural poor was subordinated to short-term production increases.

In political terms, the main criticism was that the program was imposed from the top down, with virtually no participation by the peasant groups that presumably were to be the principal beneficiaries. This in and of itself is hardly remarkable with regard to policies that affect the lower classes, but it is significant in that the SAM relied on the national bureaucracy, identified by many as one of the main obstacles to genuine reform in the rural areas. That is, the bureaucratic alliances with the rural wealthy and the tendency of public authorities to exploit the peasantry meant that genuine reform was unlikely. Furthermore, given the enormous sums being channeled into agriculture and the propensity toward corruption in both the state and private sectors, there was considerable suspicion about how much money actually reached the intended beneficiaries.[6]

The sad irony of SAM is that a program that set out to attain food self-sufficiency and to raise living standards contributed to economic overheating during the oil bonanza, which in turn led to reduced living standards (due in the first instance to the runaway inflation and subsequently to the austerity program) and to greater food dependency on the United States, at least in the short run. Because of the financial crisis, Mexico will be forced to buy the nearly 10 million tons of the basic commodities it needs in 1983 from those countries that can provide financing. This excludes traditional suppliers like Brazil and Argentina, which are undergoing financial crises of their own, and heightens Mexico's dependence on the United States.

As the economic crisis intensified after the summer of 1981 (which saw oil prices decline), political support for the SAM tended to dissipate. Criticism of López Portillo increased as inflation mounted in 1981 and a veritable financial panic set in during 1982, with successive devaluations in February and August, culminating in the bank nationalization and the freezing of dollar accounts in September of that year. Because the SAM was a favorite program of López Portillo, most observers predicted its termination in the new administration; they were right.

AGRICULTURAL POLICY UNDER DE LA MADRID

A long-time member of Mexico's Treasury–Central Bank fraternity, Miguel de la Madrid Hurtado headed the central planning agency, the Secretaria de Programacion y Presupuesto, during 1979–1981. In that capacity he was the financial architect of López Portillo's development program. Despite this, he escaped the flood of criticism in part because he left office in September, 1981, to take up the presidential campaign as the PRI's candidate. In something of a break with tradition, candidate de la Madrid began with muted criticisms of administration policies and became increasingly vocal over the course of the campaign against what he called "economic populism."

The new government's approach to agriculture must be viewed in the context of overall economic policy. The essence of the new realism is austerity. Mexican authorities have committed their country to a three-year program of cutting fiscal deficits, limiting new external borrowing, and dismantling a series of public subsidies to virtually all sectors of society. The consequences of this will be harsh: fiscal deficits will be cut from 18 percent of gross domestic product (GDP) in 1982 to 8.5 percent in 1983 on the way to the goal of 3.5 percent in 1985. Even with significant tax reforms, this means that public spending in real terms will contract in the short run. When we consider that the overall economy will contract by 1 to 4 percent in 1983, the reduced public sector deficit will be drawn from a smaller base. This, along with limits on money supply and shortages in foreign exchange, means that business failures will increase and unemployment will worsen. Inflation, which reached 98.2 percent in 1982, will continue at only a slightly lower rate in 1983, with wages and living standards lagging.

The effect of economic realism on agricultural policy can be seen in the general federal budget, in incentives to production (especially credit and price supports) and in consumption (especially subsidies and price controls). Also important are questions about land tenure.

Total federal outlays for 1983 (including secretariats, decentralized agencies and debt service) are to increase by 55 percent over 1982, a substantial cut in real terms (assuming this year's inflation at a minimum of 80 percent). Amounts to be spent on the various government programs will increase by only 37.1 percent. In this context, "rural development" will receive 44 percent more than in 1982, increasing its share slightly in relation to other expenditure programs.[7] Thus, the best one can say is that agriculture is maintaining its share of a shrunken pie.

Credit is critical in the sense of overall levels and

[6]See the articles by Guillermo Correa, *Proceso*, January 20, 1983, pp. 12–15 and August 30, 1983, pp. 14–17; also interesting is James W. Wessman's "Peasants, Capitalists and the State: Mexico's Changing Agricultural Policies and the 'Hungarian Project'", Latin American Institute, University of New Mexico, Research Papers Series no. 10, May, 1982.

[7]*Razones*, December 27–January 9, 1983, pp. 9–12.

who receives it. After delays and adjustments, the level for Banrural, the principal agricultural development bank, was set at 172.8 billion pesos, an increase of 67 percent over 1982 but a decrease in real terms. Two important criticisms of credit policy have been raised. First, the amount of credit is said to be inadequate to meet the goals set by the Secretariat of Agriculture in its April statement of policy. Second, the director of Banrural, Eduardo Pesqueira, announced on April 20, 1983, that credit would go where there was the greatest likelihood of production.

The clear implication of the policy was to channel credit to the more successful farmers, writing off in effect the less lucky or less capable. Further, despite urging from the Confederacion Nacional de Campesinos that the nationalized banks provide credit on preferential terms to smallholders, it appeared that normal banking practices would prevail (consistent with "economic realism"), with credit going to proven producers. Thus, both level and allocation tend to reinforce the more productive farmers, since they also have access to the commercial banks on conventional terms.

Price supports for the spring-summer cycle were announced belatedly on May 9, 1983. Of the major crops covered, none received increases in real terms, and only two, wheat and sorghum, maintained their 1982 support levels. Guaranteed prices for corn, beans and rice dropped 11, 31, and 6 percent, respectively. While there was no obvious rationale for this policy, small-scale, dry-land farmers (who produce corn and beans) apparently suffer more serious losses than wheat and sorghum producers, who benefit more from irrigation.

On the consumption side, de la Madrid has moved in the politically painful direction of reducing public subsidies. In agriculture this means allowing basic food prices to rise. The government cut sharply the number of products to be price-controlled and authorized increases for basic products by 100–150 percent in the first trimester of 1983. To cite a few examples, cooking oil rose from 56 to 123 pesos per liter, bread rolls from 1 to 2 pesos, milk from 17.80 to 31.50 pesos per liter, tortillas from 11 to 15.50 pesos per kilogram, and dry beans from 23 to 32 pesos per kilogram. Due to slippages in policing controls, the real price charged consumers is often higher than official ceilings.[8] Given the increase in the minimum wage of only 15.5 percent in June, 1983, of this year, the pinch on the lower classes is obvious.

In difficult political circumstances, the decision maker might hope to offset onerous economic and social policies with powerful symbols, like nationalism. In the area of agriculture such a symbol is agrarian reform, taken to mean land redistribution, or at least the obvious improvement of the lot of the rural poor. Here de la Madrid has followed precedents established by Echeverría and López Portillo. His Subsecretary of Agrarian Reform, Salvador Robles Quintero, announced (ironically, on the annual observance of Emiliano Zapata's death) that there was no more land available to distribute.[9] Instead, the de la Madrid administration would emphasize regularizing, that is, making legal, the titles to land already distributed in previous stages of the agrarian reform.[10]

Title regularization would lessen the degree of insecurity in the rural areas and would provide the basis for further land redistribution at a later time. As a first step, the government announced that a complete survey and cataloging of lands would be undertaken and completed during 1983–1988. Thus, the apparent attempt to offset bad economic news is to hold out hope for some measure of justice in land tenure. But to act seriously to regularize land titles is politically explosive.

For a variety of reasons, there is a great degree of uncertainty about legal ownership of land in Mexico. First, there are many steps (one estimate is 33) between the marking of land as expropriable and the final delivery of it with legal title to the proper recipients. Presidents have long inflated the figures on land distribution by including lands not completely processed. The tentativeness of ownership by the peasantry is also a useful control mechanism, since peasants can be reminded that the status of their lands has not been completely resolved.

Second, in the course of the agrarian reform (and particularly since Miguel Alemán Valdés's administration of 1946–1952), large quantities of land were granted "certificates of unaffectability," exempting them from expropriation and redistribution. Since there are fixed limits on the size of land-holdings, many individuals placed legal title to their lands in the names of family or friends. Third, it is not unusual for *ejidatarios* to rent out parts of their holdings infor-

(Continued on page 436)

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[8] *Proceso,* September 5, 1983, p. 11.

[9] *Uno mas Uno,* April 11, 1983, pp. 1, 5. Emiliano Zapata was the revolutionary leader most single-mindedly dedicated to agrarian reform, and his name persists as a symbol in this regard.

[10] President de la Madrid stated that more than half the land distributed in the agrarian reform has some form of title irregularity. *Excelsior,* March 30, 1983, p. 1A.

"Notwithstanding the official rhetoric that gives priority to education, the fact remains that Mexico spends less than 5 percent of its GNP on education. Moreover, the percentage allotted to education in the last 40 years has varied widely."

Educational Reform in Mexico

By Giorgio Perissinotto
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MEXICO'S much publicized financial crisis, though not so menacing to the economic and social stability of the country as it was a year ago, is persistently tearing at the very fabric of Mexican society. The scandal at the National Petroleum Company (PEMEX), resulting in the arrest and prosecution of its former director, Jorge Díaz Serrano, is very much on the minds of hundreds of present and past government officials who may have to explain their "sudden and inexplicable wealth."

Important as the charges are, the case against Díaz Serrano is interpreted by most people as a vicarious one, the real culprit being former President José López Portillo. Though corruption, bribery and influence peddling have always been part of modern Mexico, it is also true that every incoming government has pledged to get rid of what many consider a national malady. Yet past Presidents and high officials have traditionally been immune from prosecution, though not by law. It is, therefore, somewhat of a surprise to see the government determined to prosecute the highest officials.

At the time of this writing, everyone's attention was focused on Hector García Hernández, a former official of the Oil Workers Union (Sindicato de Trabajadores Petroleros) who had been abducted from his Texas home by Mexican officials to answer charges of stealing almost 900 million pesos from the union.[1] A somewhat more elusive official who is currently under scrutiny and attack is Arturo Durazo Moreno, former general director of police and traffic for the Federal District, and a political survivor of three administrations. He seems to have amassed a very large fortune in real estate by persuading people to sell at bargain prices. His transactions are all documented and public opinion is crying for an explanation because his monthly salary was only Mex$24,000 (less than US$2,000). He has explained only that: "I have good financial advisers."[2]

It is no surprise, then, that the President's State of the Nation address contained many allusions to the "moral revolution" that is needed to carry the country through these difficult times of dire financial stringencies. But in order to put some teeth into his statements, President Miguel de la Madrid Hurtado stated that a modification of Article IV of the constitution was in order. The amendment details "the responsibilities of public servants, by setting forth with clarity and firmness the norms of their conduct, their political, administrative and penal responsibilities."[3] Such determination and frankness, though only verbal at that point, was to be followed by specific laws aimed at widespread corruption and waste and in consonance with the Immediate Program of Economic Restructuring (*Programa Inmediato de Reordenación Económica*) that was launched on his first day in office, December 1, 1982. On that day, de la Madrid said in the State of the Nation address, he was handed a country that was in the middle of one of its worst crises.

There is no doubt that his candor is motivated by the sudden realization that the ship of state is indeed in peril and that the people of Mexico would find it hard to believe him if his message had been other than one of deep concern.

In the area of education, the presidential address called for nothing less than an "Educational Revolution," in capital letters. In a rare admission of the calamitous state of the educational system, the President stated on September 1 that the system

> from preschool to higher education needs more than reforms, and much more than patches and mends. It requires a restructuring that should begin with those who will educate and [should] include scientific and cultural research.

But in the byzantine language of the government, the address hinted at much more than a bland call for general improvement in the educational level of the nation. After all, how does one justify a "revolutionary act" unless the situation warrants it? While admitting that previous administrations expanded the reach of

[1]Given the fluctuation of the peso in recent years, it would be confusing and even misleading to give the equivalent in United States currency. As of September, 1983, one United States dollar would yield 148 Mexican pesos.

[2]*Proceso,* August 15, 1983, pp. 14–17.

[3]At the time of this writing the text of the State of the Nation address had not yet been officially published, but it was carried in full by several publications. See *Impacto,* September, 1983, special insert.

the education system, Miguel de la Madrid charged that the quality of instruction has decreased drastically.

DECENTRALIZATION

For this reason the President announced what in all likelihood will be the hallmark of his administration: the decentralization of the federal system, though only in the broadest and most cautious of terms. The State of the Nation address envisions the creation of an advisory committee for each state that will "analyze and determine the transfer of elementary, secondary and normal education imparted by the federation." More concretely this committee (Comité Consultivo para la Descentralización Educativa) will be headed by the governor of the state and will be composed of officials from the Secretariat of Education (SEP), the Secretariat of the Budget, and the Social Security System for Civil Service (ISSTE). A member of the union will have a voice but no vote.[4]

While it is the quality of education that has come under attack from many sides, the kind of education Mexicans are receiving has also been heavily criticized. In a move aimed at restricting and controlling teacher certification, the President has announced both a limit on the number of teachers licensed in a specific subject and the scattering to regional centers of the Mexico City Teachers College (Escuela Normal Superior de la Ciudad de Mexico). The report also recognizes that Mexico needs technicians and scientists, and that enrollment in science and technological courses has declined at a time when the country most needs those skills. In order to explain and correct the situation, the President again called for an overhaul of the curriculum for both teachers and students.

Decentralization is the underlying principle in the renovation of Mexican society. It is in light of the September 1 presidential address, then, that one begins to understand events leading to it. On May 16, 1983, the local Santa Barbara paper carried a short article entitled "60,000 Teachers March in Mexico." The march, held on Teacher's Day, demanded pay raises and charged the government with chants and signs like "The Government of Thieves Left the People Without Money." The article also made mention of the split in the National Education Workers Union (Sindicato Nacional de Trabajadores de la Educación, SNTE) which with 700,000 members is traditionally pro-government and not prone to make waves. At the time the march was seen as a significant challenge to the vertical unionism prevalent in Mexico; it was headed by the aging but extremely powerful Fidel Velázquez, head of the Mexican Labor Confederation (CTM). Velázquez was quick to deny that this was a split in the membership, saying: "We are friends of the regime, not unconditionally servile" and "Our struggle is not with the government but with the managerial class."[5]

These ripples in the system have been interpreted as a reaction to an attempt to weaken or even dismantle the Teachers Union which, with 700,000 members, can exercise considerable influence on the national political system. The decentralization process that everyone is now concerned with actually began in 1978, when the government realized the threat of the largest union of bureaucrats and established, through SEP, a general delegation to represent the federal government before the state and local entities. And in 1981, the Secretary of the Budget (Programación y Presupuesto), Miguel de la Madrid, gave increased power to the regional delegates to assign positions, or *plazas,* the much sought after jobs that guarantee a permanent livelihood.

The current Secretary of Education, Jesús Reyes Heroles, a grand old man of Mexican politics and former head of the ruling party (Partido Revolucionario Institucional, PRI), has for the past year been hinting at the measures outlined in the presidential address. Yet one needs to be tuned to the Mexican way of sayng things in order to understand *"federalese."* Reyes Heroles said recently that with only 5 percent of the gross national product (Producto Interno Bruto, GNP) devoted to education, it would be impossible to reach the goals set in previous years.

Even more to the point, on April 22, 1983, while visiting Cuba, the Secretary of Education stated that Mexico was closely following the Cuban model of decentralization "not only as an imperative of efficacy, but as a forward step in order that the society at large may participate in educational planning."[6] From President de la Madrid to the Secretary of Education, Jesús Reyes Heroles, to the rector of the National University (UNAM), Octavio Serrano, to the director of the National Institute of Fine Arts (INBA), Javier Barros Valero, all are following government directives about centralization. The head of INBA said that

> because of budgetary restrictions we will bring about a reorientation and reassessment of the human and material resources of the National Institute of Fine Arts to attune it to the priority programs.[7]

That these statements are not simple theatrics is demonstrated by the fact that at the height of the economic crisis the government found it imperative to reduce its budget 8 percent. Although support to education was limited to a 5.3 percent cut, this translates into Mex$10,400,000,000; most of the areas affected were support services like administration, research, cultural and sports programs.[8] But even though basic services were not affected, the cut did not go unnoticed. In a meeting of regional rectors at the University of Veracruz, a consensus was reached that the univer-

[4] *Proceso,* August 15, 1983, p. 27.
[5] *Proceso,* February 14, 1983, pp. 24–25.
[6] *Hispanoamericano,* May 2, 1983, p. 8.
[7] *Proceso,* May 2, 1983, p. 32.
[8] SEP, *Memorandum Técnico,* January–February, 1983, p. 3.

sities outside the Federal District will have to reduce academic programs and curtail research because of the economic crisis. Particularly affected are research projects in chemistry, biology and physics, which often require equipment that must be imported and paid for in dollars.[9]

If, on the one hand, it is indisputable that the economic crisis demanded harsh economic measures, it is, on the other hand, not so clear how decentralization will help ease the burden. However, it will shift the focus from the central government to regional and local agencies. But it is on the political front that the intent of the new policy is clear and consonant with the revolutionary tone of Mexican politics. By revolutionary one means a course of action in compliance with the ideals of the Revolution of 1910 and somehow within the constitution of 1917. Most analysts would agree that after the bloody revolution that ousted Porfirio Díaz but divided the country into scores of factions vying for power, a strong central government was needed to hold together a shaky federation. And almost everyone would agree that the undesirable result has been a mammoth central bureaucracy and weak state and regional governments.

The aftermath of the Mexican Revolution saw the federalization of education with the explicit objective of consolidating national unity. Under the presidency of Alvaro Obregón (1920–1924), the constitution was revised to create the Secretariat of Public Education and to authorize the federal government to establish and support elementary schools throughout Mexico. A period of frantic expansion of educational facilities followed under the leadership of José Vasconcelos. The period was remarkable for its awareness of the fact that the educational system is the vehicle through which national character—a uniquely Mexican character independent of the legacies of colonialism—can be instilled in the citizenry. During the Lázaro Cárdenas administration (1934–1940), national and educational goals were made inseparable; and during the tenure of Avila Camacho (1940–1946), the often quoted and much revised Article 3 of the constitution read:

> The education imparted by the State—federal government, states, municipalities—shall aim to develop harmoniously all the faculties of the human being and will instill in him love of country and a sense of international solidarity in independence and justice.[10]

An analysis of the educational policies of the country makes it clear that decisions affecting the school system are very visible in the press and are very powerful political tools. The nation's schools have a clearly recognized ideological function which must be borne in mind by anyone attempting to understand the nation's pedagogical structure. Always on the move, the system is now adjusting to the newest rhetoric-laden slogan of "Educational Revolution" and its concomitant plan for decentralization.

That the government is flexing its muscles and twisting arms to bring the strays into the fold is shown by the dramatic turnabout on the issue by the already mentioned Teachers Union (SNTE). In February, 1983, the newly appointed secretary general of the union, Alberto Miranda Castro, categorically stated that "the decentralization of education has been alien to us; its consequences caused various problems that have damaged the solid structure of our organization." But six months later, on the eve of the presidential address and buoyed by significant salary increases, the labor leader supported "without reservations" the new plan which, he said, "guarantees the gradual and efficient process of decentralization"; he even thanked the President for "having consistently consulted the teachers, for which reason we respect without reservation the presidential decree that does not harm the union nor the rights of the workers."

But what really happened behind the curtain was a deal between the government and the union. The union saw that the government's intention was to weaken it by splitting it into a "labor federation" made up of 31 state delegations and thus fragmenting its monolithic structure. The union fought back and supported decentralization in exchange for a kind of status quo.

It is, of course, difficult to predict how successful the new government will be in implementing the new plan, especially since no one knows at this juncture what is meant by "Educational Revolution" other than a radical decentralization of both resources and bureaucracy. It seems likely, however, that the novelty of the program lies in the transfer of the responsibility for basic and teacher education to the state governors.

But what the government is fond of doing is presenting impressive statistics that routinely dramatize the increase in enrollment. What follows is a statistical summary of the López Portillo administration and a year of President de la Madrid's. The levels have been simplified to make them comparable to the American system; the Mexican secondary system is in reality a many-tiered system and the Teachers College is actually two institutions (Escuela Normal and Normal Superior), although for this study the figures for the Normal Superior have been added to the university level figures.[11]

Preschool education is still reaching a small per-

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[9] *Proceso,* May 2, 1983, p. 38.

[10] For a historical survey of Mexican education see Giorgio Perissinotto, "Educational Reform and Government Intervention in Mexico," *Current History,* May, 1974, pp. 208–211, 226, and "Mexican Education: Echeverría's Mixed Legacy," *Current History,* March, 1977, pp. 115–119, 134.

[11] Most of the figures have been extrapolated from government publications, primarily SEP, *Plan Programa Presupuesto 1982 Sector Educativo* and SEP, *Informe de Labores,* 1981–1982.

Table 1: Student Enrollment

Educational Level	1976	1977	1978	1979	1980	1981	1982–83
Preschool	607,946	655,334	699,231	853,988	1,071,619	1,411,316	1,766,000
Elementary	12,026,174	12,628,793	13,536,265	14,126,414	14,666,257	14,981,028	15,239,231
Secondary	3,105,265	3,380,335	3,711,225	4,113,129	4,583,265	5,128,574	5,749,317
Teachers College	135,981	157,012	192,474	202,157	207,997	203,557	190,180
University Level	569,266	609,070	740,073	848,875	935,789	1,007,123	1,074,601
Totals	16,444,632	17,430,544	18,879,268	20,144,563	21,464,927	22,731,598	24,019,331

Table 2: Number of Schools

	1976	1977	1978	1979	1980	1981	1982–1983
Preschool	4,619	5,034	5,535	93,111	12,923	17,798	24,040
Elementary	55,500	60,239	67,287	69,665	76,024	76,286	79,909
Secondary	10,847	10,911	11,648	12,747	13,807	17,524	19,202
Teachers College	327	349	412	440	480	496	496
University Level	606	676	754	813	892	938	993
Totals	71,899	77,209	85,636	92,976	104,126	113,044	124,640

centage of the population. It is perhaps significant that it is hard to extrapolate dependable statistics. A recent government publication stated, "The national enrollment average for preschool is approximately 50 percent, while for the elementary level it is 70 percent."[12] Another document, also from SEP, gives the following:[13]

Percentage of Students Actually Enrolled

1976–1977		1982–1983
15.1%	Preschool (age 4–5)	38.8%
88.3%	Elementary (6–14)	98.0%
78.1%	Secondary	89.2%

Thus a simple arithmetic calculation reveals that millions of Mexican children are not attending school. This fact can be demonstrated by the vast difference in enrollment between the elementary and secondary levels (see Table 1). In 1976, there was one student at the secondary level for every four at the elementary; in 1983, the ratio is still 1 to 4. The tables also speak to the long-standing feud between the government and the schools in charge of teacher training; for years the government has been trying to control and curtail the resources of the Escuelas Normales, which are known for their rather slack curriculum and corrupt bureaucracy. Student enrollment has actually declined in 1982–1983, the number of teachers has been reduced, and no new schools have been built (see Table 2).

For the 1983–1984 school year, the government is projecting a preschool enrollment of 2,081,000, and an elementary enrollment of 15,300,000, figures that suggest that more preschoolers need to be placed in school, hence the projected increase, while the negligible increase in projected elementary enrollment (15,300,000 for 1983–1984 versus 15,239,231 for 1982–1983) is to be interpreted as a statement by the government to the effect that practically all the elementary age children that should be in school are in school.

But there are more revealing indicators of the educational levels of many Mexicans. *Excelsior,* the largest Mexican newspaper, recently published an article entitled "The State of Guanajuato Has Reduced Illiteracy by 27 Percent"; the article states that in 1981 the State of Guanajuato had 369,000 registered adult illiterates.[14] With the total state population under 3 million, the figure translates to a very high rate of illiteracy (over 25 percent of the adult population in a state that is not among the nation's poorest). Actually, nine states have illiteracy rates over 20 percent and Oaxaca, Chiapas and Queretaro have 30 percent. Even the Secretary of Education admits that there are 6 million illiterates, 15 million who did not finish the elementary cycle, and 7 million who did not complete secondary school. But perhaps the most revealing statistics are those published by SEP itself, which show that the average adult Mexican has less than a 5th grade education.[15] The previous administration was able to raise the level by less than one school year.

In conclusion, Mexico's economic situation is all important. Notwithstanding the official rhetoric that

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[12]SEP, *Memorandum Técnico,* p. 5.
[13]SEP, *Plan Programa Presupuesto,* and SEP, *Informe de Labores.*
[14]*Excelsior,* September 9, 1983.
[15]SEP, *Plan Programa Presupuesto,* and SEP, *Informe de Labores.*

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"Perhaps the clue to the difficult times labor—organized and unorganized, urban and rural—must endure for awhile came from a remark President de la Madrid made; . . . 'Regarding the Law of Minimum Salaries, we must temporarily concentrate on the word minimum.'"

Migration and Unemployment in Mexico

By Marvin Alisky
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Unemployment and underemployment continue to confront Mexicans trying to earn a living. The government has promised not to ignore the plight of workers active only a few months each year or only a few hours during the work week.

In substance, that is what President Miguel de la Madrid Hurtado promised in his first annual State of the Union address *(Informe Presidencial)* on September 1, 1983. His report on achievements and failures during the past year and his programs and policies for the forthcoming year included an economic analysis.[1]

Inaugurated for a six-year term on December 1, 1982, de la Madrid utilized both his inaugural address and his Informe Presidencial to assure Mexican workers that he is aware of population pressures on all facets of public life.

He declared that his new administration had already begun to cut deficit spending, to ameliorate Mexico's international credit standing by making interest payments on its huge foreign debt, and to maneuver the 1982 inflationary rate of 100 percent to a lower but still uncomfortable rate for 1983. In addition, de la Madrid asserted that both government and private investment priorities within the limits of the newly imposed austerity would aim to diversify the economy and create new payrolls.[2] Nonetheless, youngsters continue to try unsuccessfully to enter a job market that cannot absorb them all. Even the escape valve of illegal migration into the United States reduces only partially the social pressures that have been building throughout Mexico.

Census data from 1980, income tax returns to the Ministry of Finance, and other statistics indicate that unemployment in Mexico has lingered at between 26 and 28 percent for the past three years.[3]

As for underemployment, estimates really remain guesstimates. Even scholars attuned to data sophistication estimate underemployment in Mexico from 16 to 50 percent.[4] My own calculations yield an underemployment rate of 20 percent. Combining it with the better documented unemployment rate, we can presume that Mexico currently suffers from a combined unemployment and underemployment rate of 46 percent.

As in the United States, homemakers who earn modest amounts from odd jobs or unreported domestic service do not show up in official work force totals. In Mexico, more than in the United States, child laborers do not often appear on company records, in tax reports, or even in social worker files. If we factor in those who are paid in cash, services or goods, regardless of their age, employment data in Mexico appear even more inaccurate. Full-time employment is uncomfortably low; perhaps only 54 percent of the potential work force is so employed.

North American public policy analysts might be tempted to examine Mexican working conditions within a framework of the modernization process, for indeed the census reports that more citizens are urban than rural, and that non-agricultural types of employment have increased more rapidly than traditional agricultural pursuits. However, despite urbanization and modernization, the Mexican countryside is dotted with 10,000 villages steeped in the traditional culture of Indians and mestizos (Indian-Spanish hybrids), who are peasants (campesinos), socially and economically.

Their peasant culture has changed very little in the last few decades: Indians haul stacks of firewood taller than they are, mestizos defy icy mountain lake winds before dawn to catch fresh-water bass, pregnant women work with infants lashed to their backs with rebozos or traditional shawls. As these mothers milk their goats or beat clothes clean on river rocks even the four-color souvenir postcards cannot capture the variety of their tasks.

Data banks can computerize work force profiles, telling us much in the aggregate about where Mexico stands in terms of employment, living standards, pop-

[1]"Sin Angustias ni Tibubeos, Seguiré Gobernando: MMH," *Excelsior* (Mexico City), September 2, 1983, pp. 1, 10, 14–15, 18, 20.

[2]*Ibid.*, pp. 18, 20.

[3]*Ibid.*, pp. 14–15, 18, 20.

[4]Peter Gregory, "Employment, Unemployment and Underemployment in Latin America," *Statistical Bulletin of the Organization of American States*, vol. 2, no. 4 (1980), pp. 1–20; Lawrence Rout, "Mexico's Real Underemployment Rate Is Debated on Both Sides of the Border," *Wall Street Journal*, February 4, 1982, p. 24.

ulation mobility, migration, and related political activity. But campesinos are still pulling wooden plows because of a local shortage of farm animals. In the northern Mexican borderlands nearest the United States, mechanized plows, tractors and jeeps are commonplace. But in the southern regions of Oaxaca, Chiapas, Campeche, and Tabasco, hundreds of thousands of workers wield hoes and machetes to clear patches of soil for planting.[5]

In provincial cities, industrial plants and retail stores take advantage of computerized bank statements. But in villages and small towns, a peasant barter trade persists, a trade that was functioning before the first adding machines were imported into Mexico late in the nineteenth century.

Culturally, rural Mexico retains the fatalistic cultural patina of white cotton work clothes, thatched-roof huts, and well water fetched with buckets. Urban Mexico has accepted traffic congestion, mass transit, credit-card debt, tax obligations, and the anxiety engendered by national and world affairs. Even rural isolation has been pierced by political dialogue by the mass media. Radio can be heard everywhere and television almost everywhere.[6]

Until a few years ago, the quantity and quality of news reports on Mexican radio did not constitute a genuine substitute for a daily newspaper, even though several million Mexicans were and are today marginally literate or semiliterate. In the early 1970's, the number of newscasts on radio throughout the day increased several-fold.[7] In 1983, however, the cost of a big-city daily newspaper exceeded the cost of a loaf of bread or the tortilla equivalent. In short, radio has Mexicans by the ears and although programming depends more on music and soap operas, information programs are ever present.

Daily reiteration on radio of the material trends in the nation and the world reinforce the revolution of rising expectations that makes peasants restless and frequently propels the unemployed to migrate to the large cities of Mexico or northward into the United States in search of employment and adequate income.

Even when new factories open and even when job requirements are set low enough to include the unskilled as well as the semiskilled, those hired may not be adult males. A case in point is found in the *maquiladoras* or assembly plants that dot the entire Mexican–United States border from Tijuana, opposite San Diego, to Matamoros, south of Brownsville. In 1982, throughout the Mexican borderlands, there were 462 United States-owned assembly plants employing 105,000 full-time assembly-line workers, 70 percent of them women.[8] A 1983 spot check at border assembly plants in Nogales, Mexicali, Tijuana, and Ciudad Juarez found that the employees were women for the most part in the 18–35-year age bracket. There were almost no heads of households.

MIGRATION

In contrast, a vast majority of the Mexican migrants streaming into the United States seeking jobs are men. Among both legal immigrants with visas or work permits and the larger number of illegal aliens, there are some women, rarely more than 25 percent.[9] Because these migrants are illegal or without documents, a precise summation of data is impossible. However, among women in the temporary detention center at El Centro, California (where Mexicans await deportation to Mexico), the age for women detainees consistently remains lower than the average for the men. Hospital records sometimes set the illegal aliens into better focus. For example, during August, 1980–March, 1981, 13.2 percent of all live births in Los Angeles County were to illegal Mexican immigrant mothers.[10] Pregnant women sometimes make the journey from deep inside the republic of Mexico to the United States so that their offspring will be native-born Americans.

The popular stereotype of a Mexican migrant is a farmhand, a bracero. Certainly the United States–Mexican Bracero Treaty in force during 1942–1948 and extended after a few weeks suspension for 1948–1964, helped formulate that conception. Begun as a wartime necessity when American men were being drafted into the armed forces, the treaty allowed 800,000 Mexican farmhands a year to come into the United States to harvest crops. Pressures from Mexican-American politicians fearing foreign competition helped defeat attempts to continue the agreement in 1964; subsequent attempts to revive the treaty failed. Only if the Simpson-Mazzoli Immigration Law were enacted in 1984 would the wholesale migration of braceros recur.

In 1980, Ronald Grennes of the Border Research Institute reported to the United States Congress on his field research in urban and rural Mexico between 1973 and 1980. He summarized:

> [The] new pattern of illegal migration from Mexico to the United States . . . differs dramatically in most essential aspects from the traditional pattern of short-term, circular migration from rural Mexico. Briefly, we

[5]Daniel Levy and Gabriel Szekely, *Mexico: Paradoxes of Stability and Change* (Boulder, Col.: Westview Press, 1983), p. 156.

[6]Marvin Alisky, *Latin American Media: Guidance and Censorship* (Ames: Iowa State University Press, 1981), pp. 51–63.

[7]John C. Merrill, Marvin Alisky, et al., *Global Journalism* (New York: Longman, 1983), pp. 282–286.

[8]Devón G. Peña, "Las Maquiladoras," *Aztlán*, fall, 1980, pp. 159–229; Marvin Alisky, "Mexican-United States Border and Immigration Problems," in Jack W. Hopkins, ed., *Latin American and Caribbean Contemporary Record* (New York: Holmes and Meier, 1983), pp. 137–138.

[9]Roger Conner, *Breaking Down the Barriers* (Washington, D.C.: Federation for American Immigration Reform, 1982), pp. 15–17.

[10]*Ibid.*, p. 15.

> have found that illegal urban Mexican workers are much better educated than the typical rural migrant . . . are finding decidedly non-marginal jobs in industry, construction and service areas in large northern cities, earning almost twice as much per hour as rural migrants, tending to stay in the United States three times longer . . . and expressing a much greater interest in considering permanent residency in the United States.[11]

After studying illegal immigration from Mexico extensively, Wayne Cornelius reported in 1982 that since the late 1960's there has been a higher incidence of permanent settlement in the United States by illegal Mexican aliens and longer periods of working, the increase being gradual but steady. Those Mexican migrants who settle permanently in the United States often send for their families and therefore stop repatriating part of their earnings. Thus the rise in the number of aliens not returning home becomes a concern not only of the American government but also of the Mexican government, because Mexican citizens working in the United States formerly repatriated several millions of dollars a year in hard currency into the ailing Mexican economy.

Mexicans staying in the United States for longer periods of time become increasingly involved with welfare benefits. Those coming northward for a brief harvesting season do not remain long enough to participate in food stamps, aid for dependent children, or similar programs. In one 1982 study of illegal aliens in California, one-fifth of the Mexican women interviewed said that their families participated in Medi-Cal health services, received food stamps, and figured in compensation as computed by the federal AFDC (Aid to Families with Dependent Children).[12]

In 1981, similar findings came from Tucson, Arizona, and San Antonio, Texas. When Mexican migrant families become aware of American welfare benefits, the few benefits available from the Mexican government seem token by comparison.

For example, Mexico has no food stamp program for unemployed and low-income workers, although its Basic Commodities Corporation (CONASUPO or Compañía Nacional de Susistencias Populares) operates thousands of retail food stores all over the republic, selling basic food at cost plus a small operating fee.[13] CONASUPO purchases offer one-tenth of the subsidy of American food stamp purchases, not in absolute dollar value, but in percentages of minimum-wage incomes based on a 40-hour week.

The Mexican Institute of Social Security (IMSS or Instituto Mexicano de Seguro Social) hospital and clinic services serve barely one-fourth of the full-time wage earners who pay 8 percent of their salaries into the program, and do not serve the unemployed and the part-time or underemployed. Again, returning migrants who have received medical welfare benefits in the United States are shocked when they return to their home towns to find that a first aid station for desperate emergency cases is their principal health facility.

RURAL TO URBAN MIGRATION

Within Mexico itself, rural citizens have been streaming to the cities for the last 30 years, and in the last three or four years the largest metropolitan areas have become compacted and congested. Cardboard houses and tin shacks are not a new social phenomenon in Mexico, but the recent strain on metropolitan services has prompted ad hoc relief.

For instance, in metropolitan Tijuana, just south of the United States border, only 60 percent of the population has potable water piped into dwellings; in 1983 40 percent had to buy drinking water from trucks or other vendors. Census figures show that the state of Baja California Norte increased in population from a 1970 total of 871,000 to a 1980 total of 1,228,000, with most of that increment in or near the cities of Tijuana and Mexicali.[14] Neither metropolitan area could cope with the influx of new residents from the hinterlands fast enough to maintain a basic service like running water, even though funding for such an operation comes not from the meager tax resources of municipalities but from the federal Junta de Agua Potable (Potable Water Board).

Almost 60 percent urban, Mexico's population presents a pattern of demographic disequilibrium. Because job opportunities, water and other basic necessities are not evenly distributed, and because only 14 percent of Mexico's territory can be cultivated for farming or ranching (including irrigated plots), Mexicans crowd into certain regions. Although four out of ten Mexicans remain rural residents, six out of ten rush to the cities. Within 50 miles (80 kilometers) of downtown Mexico City, 16 million people crowd the greater Mexico City area, extending beyond city limits and those of the surrounding Federal District (Distrito Federal or D.F.) into the adjacent state of Mexico.

More than one-fifth of the population lives in three

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[11]Ronald A. Grennes, "Impact of the Urban Mexican Worker on the United States," *Congressional Record,* June 6, 1980, p. S-6424.

[12]Maurice Van Arsdol, et al., *Non-Apprehended and Apprehended Undocumented Residents in the Los Angeles Labor Market* (Los Angeles: University of Southern California Department of Sociology and Anthropology, 1979), pp. 1–9; David M. Heer and Dee Falasco, "The Socioeconomic Status of Recent Mothers of Mexican Origin in Los Angeles County," paper presented to the annual meeting of the Population Association of America, San Diego, California, May 1, 1982, Tables 7 and 11.

[13]"Distribución de Productos Básicos," *Tiempo,* April 13, 1981, p. 20; Marvin Alisky," Population and Migration Problems in Mexico," *Current History,* November 1981, p. 387.

[14]*México X Censo General de Población y Vivienda: Cifras Preliminares* (México, D.F.: Dirección General de Estadística, 1980), p. 32.

metropolitan areas, greater Mexico City, greater Guadalajara, and greater Monterrey. In these three areas, official municipal limits have become meaningless for purposes of evaluating transportation and other basic services. Even more skewered is the access to daily newspapers. Of the total daily circulation in the republic, 60 percent of the newspapers are sold in the three largest metropolitan areas.

LABOR

In the aggregate, neither men nor women in Mexico are obtaining sufficient formal training to prepare them to hold jobs in a modernizing, industrializing nation. Of the 15.5 million children enrolled in primary schools in 1980, only 43 percent graduated from the sixth grade, and an even smaller percentage entered the seventh grade of secondary and vocational schools. If President de la Madrid succeeds in getting a larger percentage of the youth into the *secundarias,* the budget of the Ministry of Public Education will have to be increased drastically. Yet throughout Mexican public life today, the official guideword is "austerity."

In order to pay the interest and part of the principal on its staggering $85-billion foreign debt, Mexico has had to cut back on welfare programs, subsidies to agriculture and industry, and to the agencies providing basic services. Thus the vocational schools so desperately needed by millions of teenagers do not have classrooms, laboratories, or teaching staffs. The austerity program has also affected wages. Minimum hourly wages in industrial plants in Mexico, which in 1982 averaged one dollar, slipped to 92 cents or 136 pesos an hour in 1983. This contrasted sharply with an average hourly wage of $4.61 in the United States in 1982 and 1983.[15]

As for older workers, some 85 percent of industrial workers belong to labor unions, but fewer than 15 percent of rural agricultural workers are unionized. Encouraged by the dominant party, the PRI (Institutional Revolutionary party), and a succession of Presidents who wanted organized labor to have a strong voice but not to speak with one voice, Mexico retains labor pluralism.

Each year the Congress of Labor convenes. Most prominent in that gathering is the Mexican Federation of Labor (the CTM or Confederación de Trabajadores de Mexico), which should not be translated literally; it is not one group of workers but rather a federation of unions. Each union gathers individual workers together and then the union corporately joins the federation.

Other federations exist—CROC, the Revolutionary Federation of Workers and Campesinos, CROM, the Regional Federation of Mexican workers—but these lack the political power and leverage in the executive branch enjoyed by the CTM, which also dominates the labor sector of the PRI.

In the Mexican political system, there is no pretense that the Minister of Labor in the presidential Cabinet remains neutral when industrial negotiations take place. Since 1934, every Minister of Labor has publicly proclaimed his loyalty to the unions.

One notable exception occurred in 1959, when President Adolfo López Mateos, himself a former Minister of Labor, ordered Demetrio Vallejo of the Communist party of Mexico and head of the Railroad Workers Union jailed on charges of sedition under Article 145b of the federal penal code. Vallejo had ordered slowdown strikes on all railroads. Farm-to-market crops—especially lettuce, tomatoes, and other perishables—began rotting in freight cars. The President interpreted the move as an attack on the economy and well-being of the nation, and the federal Attorney General ruled that Vallejo was engaging in seditious action. Once the radical leader was imprisoned, the union elected a new leader who ended the slowdown immediately.

Agricultural workers have the National Campesino Federation (CNC), which was established in 1936 to give an organized national political voice to farmers on communal farms or *ejidos* and to those working individual plots. The emphasis, however, at first was on policy for the *ejidos* and not for individual farmhands.

From 1975 to 1982, Mexicans regarded oil as a guardian angel, believing that there was enough black gold to raise living standards and create new jobs to put the unemployed into full-time positions. Disillusionment set in when several major foreign loans came due at once in 1982. The government floundered on the brink of bankruptcy until United States and international credit sources came to the rescue. Oil profits will have to be used to liquidate debts rather than to fund industrial expansion, which would in turn create new jobs.

The de la Madrid imprint on Mexican politics is the President's refreshing frankness in admitting these facts, rather than in engaging in euphemistic deception. Perhaps the clue to the difficult times labor—organized and unorganized, urban and rural—must endure for awhile came from a remark President de la Madrid made to an interviewer for *Televisa:* "Regarding the Law of Minimum Salaries, we must temporarily concentrate on the word 'minimum.'" ■

[15]The Mexican Ministry of Labor has just released the 1983 projection, which will hold through December.

Marvin Alisky was a founding director of Arizona State University's Latin American Studies Center. His recent books include *Latin American Media: Guidance and Censorship* (Ames: Iowa State University Press, 1981) and *Historical Dictionary of Mexico* (New York: Scarecrow Press, 1981). He is a summertime lecturer for the United States Information Service in Latin America.

BOOK REVIEWS

ON MEXICO

By Mary M. Anderberg
Consulting Editor, *Current History*

MEXICO: PARADOXES OF STABILITY AND CHANGE. *By Daniel Levy and Gabriel Székely.* (Boulder, Colo.: Westview Press, 1983. 286 pages, map, tables, illustrations, notes, selected bibliography and index, $27.50, cloth; $12.95, paper.)

Among Latin American and third world nations, Mexico has demonstrated a remarkable degree of political stability for many decades. The logic of Mexican stability is the subject of this provocative study of the complex and paradoxical political and socioeconomic system that has developed since the Revolution.

A summary of the Mexican political climate in the colonial period and during the 19th century offers a base for understanding the realities of the Mexican Revolution. The authors then draw parallels between the political situation in Mexico since 1940 and during the Porfirio Díaz era: 1) leadership in both periods emerged from the ruins of movements to change society; 2) underpriviledged groups do not benefit proportionally in relation to the economic growth; 3) dissent is repressed; and 4) the "trappings of democratic liberalism" have been used by both regimes to obscure authoritarian behavior.

Focusing on the subject of political change, the study notes that policy change within the system is limited by the subordination of policy to personal politics. Leadership change is secretively controlled but the accepted restriction of the time span of an administration to six years is one of the major factors contributing to political stability. It has provided for the peaceful elite circulation of power. Aspirants to political power "need not change the system when they have reasonable chances for upward mobility within it," the authors write.

With regard to the debate among scholars as to whether Mexico's political system is more democratic or more authoritarian, the authors suggest that both terms pose problems in labeling the system. They suggest that it is more relevant to determine the extent to which the system is pluralist. Although they point out that the Mexican system often fails to meet the test of pluralism, there are mixed patterns of authoritarianism and pluralism in the system, and the "very complexity of Mexico's hybrid authoritarian-pluralist system has a good deal to do with its extraordinary stability."

Throughout their study the authors stress the importance of Mexico's economic growth to its political stability in the decades from 1940 to 1970. They have included a summary of the economic growth patterns during these eras and of the government policies with regard to investments, industry and agriculture. An entire chapter is devoted to the economic problems of the 1970's. There are also excellent chapters on Mexican oil policy, Mexican foreign policy and on the alternative views of the regime, business, the nationalist left and the Marxist left concerning future development policies. Helpful notes accompany each chapter.

RITUALS OF MARGINALITY: POLITICS, PROCESS, AND CULTURE CHANGE IN CENTRAL URBAN MEXICO, 1969–1974. *By Carlos G Vélez-Ibañez.* (Berkeley: University of California Press, 1983. 296 pages, maps, tables, drawings, illustrations, notes, bibliography and index. $27.50.)

This study offers a vivid on-site report of a population in Mexico that is marginalized, excluded from the economic and political benefits of the nation, and of its failed effort to alleviate their exploitation by both public and private elites.

The site of the report is Mexico's fourth largest city, Ciudad Netzahualcoyótl Izcalli ("the place where hungry coyote resides," in the Nahuatl language). The author spent three years (1971–1974) there collecting information about its population and observing at close hand its political struggle.

Nezahuacoyotl, or Netza as its residents call it, is one of the mushroom cities that have grown up around Mexico City. In 1981, it had an estimated population of 2.3 million and covered 64 kilometers. It occupies what was Lake Texcoco, which was drained before 1930 so it could be cultivated. Netza's environmental condition is therefore grim. Because the city is on a drained lake bed and its soil is saltpeter, it becomes a bathtub during the rainy season because there is no runoff of accumulated water.

Despite the poverty of their existence, the people of Netza from the 1950's have been engaged in various efforts to protect their dwellings from land invaders and to secure water and other services. In 1969, the Congreso Restaurador de Colonos (Congress for Settler Restoration, CRC) was organized and developed a tactic for achieving their goals. The CRC claimed that the people had been sold land illegally by the developers and that Lake Texcoco had been proclaimed national territory by Presidents Ortíz Rubio in 1931, by Cárdenas in 1936, and by Alemán in 1949. They petitioned the federal government to have the land nationalized and asked the federal government to intervene and supply

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MEXICO'S DEVELOPMENT DILEMMA

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ment rate (probably a gross underestimate) was given as about 8 percent. Meanwhile, countless Mexican citizens fled across the United States border in search of better opportunities.

Border towns were devastated in their normal trade relations after the collapse of the peso in August, 1982. Mexicans accustomed to buying household appliances and other consumer goods on the United States side of the border found their pesos nearly worthless, and Americans with dollars cleaned out food stores in Ciudad Juárez, Nuevo Laredo and Tijuana while Mexicans found that even in their own country their pesos were eaten up by inflation. Consumer prices virtually doubled in 1982, and increased another 48 percent in the first seven months of 1983.

Before he became President, Miguel de la Madrid, López Portillo's hand-picked candidate for the succession, had served as a "technocrat" in the Banco de México, in the Finance Ministry, and as Minister of Planning and Budget. In the latter role, he was regarded as the principal architect of the Global Development Plan, and it was therefore assumed that he would return to the implementation of the plan as soon as possible after taking office in December, 1982.

However, his first tasks were to cope with the grave emergency facing the government in its worst economic recession in 40 years. He imposed a draconian austerity program, with deep cuts in government spending, social subsidies, and consumer goods imports, and raised prices on a number of basic food products, as well as on gasoline, electricity, and telephone service. Consumption taxes on luxury goods were also raised.

For the fourth time in a year, the peso was devalued, and both the preferential or controlled rate and the floating rate were reduced in value by about half. In the open market, a dollar cost six times as much in pesos as it had a year earlier, a change that created nearly insuperable problems for business firms and others trying to meet dollar obligations.

All major public construction projects were suspended, and shortly thereafter the government announced that the SAM program to achieve national self-sufficiency in food production and improve nutrition among the rural poor had "disappeared."[6] Yet as concern grew about rising unemployment and unrest among organized workers, the government announced in January, 1983, that it would spend $2.7 billion to create from 500,000 to 700,000 new jobs in rural areas and in critical poverty zones in the cities. The semiofficial Confederation of Mexican Workers (CTM) had remained remarkably passive during the steady deterioration of the economy, but with social hardships likely to intensify throughout 1983, it was expected that public protests would grow.

On May 30, 1983, the de la Madrid regime presented its own National Development Plan for the period 1983 to 1988.[7] Although the plan ran to 412 pages and set out four broad goals for the *sexenio,* it was disappointing in its lack of detail and description of concrete measures to achieve its objectives. The goals announced were: (1) to conserve and reinforce democratic institutions; (2) to overcome economic crises; (3) to recover the capacity for growth; and (4) to initiate qualitative changes required by the country in its economic, political and social structures.

The plan promised the elimination of inflation and monetary instability, reduction of the government's share in national expenditures, protection of employment opportunities, and a vigorous promotion of production, with a greater role for private enterprise. Echoes of the Global Development Plan could be heard in calls for industrial decentralization, production for export, and increased social equity, but how these aims were to be achieved was not clear.

The National Development Plan was received by the Mexican public with jaundiced interest, since so many national plans had been offered with heavy fanfare earlier. Critics pointed out that until the government could get its house in order and until a really serious campaign was launched to reduce the massive corruption and administrative inefficiency in the bureaucracy and the parastatal enterprises, there was little chance that Mexico could return to a growth track.

While the Mexican government expected a dollar inflow of about $13 billion from oil and gas exports alone in 1983, about 40 percent of the national budget had to be reserved for servicing the external public debt. So long as an immense foreign debt hung over the economy and the nation had to rely on continued special financial assistance, in which the role of the International Monetary Fund was crucial, the government had no alternative to austerity.

The basic dilemma for the de la Madrid government is how to plan for the expansive development necessary to relieve unemployment, hunger and shortages of goods, while practicing the austerity dictated by conventional monetary and fiscal policy. Farther down the road, the nation will have to choose between a protectionist policy of maintaining high-cost industry and limiting imports, or promoting more efficient enterprises that can compete effectively in world markets. Unlike many other developing countries, Mexico is fortunate that it has exceptional resources with which to make these choices, provided that they can be marshalled with greater care. ■

[6]"Desaparece el SAM," *Comercio Extérior* 33 (February, 1983), pp. 115–116.

[7]Estados Unidos Mexicanos, Poder Ejecutivo Federal, Secretaría de Programación y Presupuesto, *Plan Nacional de Desarrollo, 1983–88* (Mexico, D.F., May, 1983).

OIL AND POLITICS IN MEXICO

(Continued from page 419)

The San José Accords have encountered problems. To begin with, virtually all the region's refineries were equipped to accommodate lighter Venezuelan crude, not Pemex's heavier Maya grade. Hence, in the early months, some countries found themselves with an excess of heavy fuel oil and had to import gasoline and diesel from elsewhere. Adjustments in handling capabilities were expensive and time-consuming and, until they could be made, the Dominican Republic and other countries insisted that Venezuela either furnish all their oil or, at least, pre-treat the Mexican crude so that it could be handled in local refineries. This consideration, combined with Venezuela's status as the traditional supplier to these markets, accounts for Mexico's relatively modest exports during the facility's first year. Most recipients have long since made the necessary refinery modifications or blended Mexican and Venezuelan crude to permit processing. Moreover, the bulk of oil shipped by Pemex is now Isthmus, not Maya. Financial distress has caused Mexico and Venezuela to lay aside plans for the possible joint purchase, leasing, or construction of one or more refineries to process their crude for ultimate shipment to facility participants and other purchasers.

Expanding the scope of the program has also posed a challenge to Mexico and Venezuela. Cuba, which depends on the Soviet Union to provide over 95 percent of its oil on cut-rate terms, has never applied for membership; Belize has yet to sign a contract with its oil-rich neighbor; and a 1981 experience with Haiti, which failed to live up to its contractual obligations, proved disastrous.

More serious than membership questions has been the recipients' difficulty in designing projects that would qualify for long-term credits. One of the curses of underdevelopment is an anemic planning capacity complemented by a shortage of engineers and technicians. An inability to devise appropriate projects meant that, as of mid-1982, Venezuela had granted only five of these long-term loans, while Mexico had authorized none.

Awarding long-term loans has posed an increasingly difficult challenge to Mexico and Venezuela, both of which are starved for dollars with which to conduct trade and meet payments on their foreign debt, which exceeds $110 billion between them. In Venezuela, 1983 is a presidential election year, and criticism of foreign aid at a time of domestic distress by business groups and the Confederation of Venezuelan Workers, the nation's major labor organization, forced temporary suspension of Venezuelan long-term credits under the facility in March. Mexico vowed to continue extending concessionary loans.

Attractive terms aside, most beneficiaries have not kept up their payments for petroleum acquired from the suppliers. Nicaragua has failed to pay for any oil received from Mexico. (Venezuela halted shipments to Nicaragua in August, 1982, after the Managua regime missed payments on two deliveries.) In mid-1982, Mexico refinanced an $80-million oil debt that Costa Rica had contracted. Even so, Mexico assured the San José government that it would guarantee oil supplies to Costa Rica for the next three years and would continue financing oil explorations. And the Dominican Republic proposed sending molasses that could be converted into sugar to cover its bill with Mexico.

Might the program be sacrificed on the altar of economic necessity? Despite misgivings by an array of business, labor and bureaucratic groups in Venezuela and, to a lesser extent, in Mexico, termination seems unlikely because the scheme has accomplished goals important to the two nations. It has (1) provided resources to countries that run chronic balance of trade deficits with the donors, (2) encouraged energy nationalism through government-to-government accords in the oil sector, (3) promoted economic stability—or, at least, militated against instability—in a region afflicted by civil strife, (4) offered relatively developed states anxious to avoid revolution an opportunity to influence, if not moderate, the actions of Nicaragua's Sandinistas, (5) demonstrated that Latin Americans can help each other without Washington's involvement, (6) enhanced the donors' international prestige by providing foreign aid with "no strings attached," (7) emphasized that political problems spring from continuous economic crises suffered by small, energy-dependent nations, and (8) embedded a vital stone in a mosaic of international cooperation.

As the donors revise their terms, the recipients must emphasize conservation, intensify exploration for domestic energy supplies, and become more proficient—in cooperation with the Inter-American Development Bank, the World Bank, and other international lending agencies—in fashioning development projects that will merit funding by this extremely innovative facility.

López Portillo's administration squandered billions of dollars of hydrocarbon earnings before de la Madrid took office. Still, Mexico has greatly increased its proven reserves, built an impressive infrastructure in its oil sector, and embarked upon an extremely generous joint facility to aid ten Caribbean basin states. The world oil glut and Mexico's subsequent need for large-scale United States and international assistance to avoid bankruptcy have injected a rare element of pragmatism into Mexican energy policy. Meanwhile, de la Madrid's unflinching adherence to an IMF stabilization program, his assault on corruption in Pemex and its union, and a judicious oil marketing policy coordinated with OPEC may enable Mexico not only to recover economically, but to enlarge its role as a regional leader. ■

MEXICAN AGRICULTURAL POLICY

(Continued from page 424)

mally to "Small Farmers," which is illegal under current law.

Moving vigorously to regularize land titles would probably heighten the expectations of the peasantry, the landless and those with disputed claims to land, possibly unleashing political movements that could not be contained short of violence. This is because the "Small Farmers" most likely would defend their interests through private police forces and, in some cases, through official police. Understandably, critics of the administration express considerable skepticism that the title regularization efforts will proceed very far. Yet with a severe cut in the resources flowing to the rural poor, the government may find itself compelled to act or suffer further erosion of its political support and reformist credibility.

BEYOND STABILIZATION?

Present circumstances leave little room for maneuver with regard to agriculture. The government's stabilization program (1983–1985) reduces its capacity to subsidize or to pursue ambitious administrative programs and instead emphasizes production and trade. As Mexico's major trading partner, the United States reinforces these tendencies, given its agricultural surpluses (even with the poor harvests of 1983), its energy requirements and its overall trade deficit. Until the stabilization program expires and Mexico resumes economic growth, the government must steer a careful course to meet domestic food requirements and to reestablish a new understanding with producer interests.

The economic crisis will probably accelerate the growth of commercial capitalism in Mexican agriculture, thus strengthening domestic and international interests that favor the government's straightforward market orientation. Indeed, the government's rhetoric about economic realism and production reinforces this impression, as does its technocratic political style. Yet experience teaches caution in making confident predictions on Mexican public policy. At least two areas bear watching: the implementation of the Law for Agricultural and Livestock Production and the title regularization policy. ■

POLITICAL TENSIONS IN THE MEXICAN PARTY SYSTEM

(Continued from page 405)

the oil boom have provoked radical cutbacks in the federal budget, crippling social programs, shutting down imports, and reducing consumer power drastically. Food self-sufficiency has disappeared in favor of credit dependence on the United States for huge and growing imports of basic foods. And the administration acknowledges that both business and labor will have to suffer a long period of economic "adjustment," signifying low wages, slow growth and high unemployment.

The voice of opposition parties has been strengthened, if for no other reason than the failure of López Portillo's management of the oil boom. The PAN's call for lower levels of state intervention in the economy has a new and sonorous ring in the provinces, as López Portillo is identified as a discredited *dirigiste* leader. And if the left opposition cannot garner the votes of the Mexican urban middle sectors, it can voice a credible opposition to the failed strategies of the previous government and the weak position of the administration in the face of an IMF agreement.

This worrisome conflation of economic weakness and strong party opposition and political liberalization is complicated further by spontaneous political opposition in the countryside and in the major cities of the nation. Students, workers, peasants and traditional political opponents of PRI dominance are now giving expression to their dissatisfaction with the economic stabilization program of the de la Madrid government. Thus far, the President has wielded a heavy hand in response. And, as the coming months bear down on the poor even more, popular pressures against the government seem bound to increase. In addition to each episode's potential for officially sanctioned violence, these spontaneous political protests keep the "social question" at the forefront of national politics, just when the government is least able to address it through traditional patronage and party cooptation.

But, in the longer term, the durability and responsiveness of the Mexican government will not be called into question by unorganized forces in the countryside, who are limited in their access to power and vulnerable to the repressive potential of the government. The real test of the current Mexican regime will be whether it can manage a serious reform of mass politics in the wake of PRI decline, and whether it can survive the storm of the current economic crisis without provoking a major challenge to its power at the national level.

On the one hand, the government is blessed by the low levels of organization and militance in the opposition. As might be expected from a one-party dominant system, few power contenders are waiting offstage to propose an alternative to current Mexican government. On the other hand, the regime itself is in disarray as far as its political legitimacy is concerned. The President has little personal credibility or political capital among the masses. The Cabinet style of government is unfamiliar to the Mexican citizenry and is unlikely to inspire confidence, especially in view of its dull, technocratic image.

And the PRI is perhaps a vestigial organ of a populist political style that cannot weather the transition to a demobilized political system. Notwithstanding the legendary flexibility and imagination shown by the Mexican regime, it now faces a great crisis of political

order with a suspect technocratic elite that mismanaged the oil boom and a middle-aged party showing few signs of resilience or political responsiveness. It is a safe bet still that the regime will survive the crisis; but political survival based on inertia is a too-modest goal for a political system with the problems of Mexico as it enters 1984. ■

EDUCATIONAL REFORM IN MEXICO

(Continued from page 428)

gives priority to education, the fact remains that Mexico spends less than 5 percent of its GNP on education. Moreover, the percentage allotted to education in the past 40 years has varied widely: Cárdenas gave it 12.5 percent of the GNP, Avila Camacho 9.9 percent, Miguel Alemán 8.7 percent, Ruiz Cortines 8.7 percent, López Mateos 11.2 percent, Diaz Ordaz 13.2 percent, Echeverría 19.4 percent, and López Portillo 7.7 percent. In the last analysis it is not President Miguel de la Madrid who is calling for an "Educational Revolution". The Mexican people in their own way have been demanding it for decades. ■

MEXICAN FOREIGN POLICY

(Continued from page 409)

American military aid and economic assistance.[9]

The fundamental difference between current Mexican and United States foreign policies in Central America lies not in how they explain the origins of the current conflicts (internal versus external) nor in the mechanisms they propose to end the fighting (power-sharing versus elections), although both dimensions are important. The key difference lies in the political outcomes each country is willing to accept or tolerate. President Reagan and his advisers have made it clear that the United States can and will use force (either direct or indirect, covert or overt) to secure outcomes compatible with their view of United States vital interests. The invasion of Grenada is an example of this policy.

CONCLUSION

President Miguel de la Madrid and the Contadora leaders clearly disagree with the Reagan administration. Their various peace proposals and mediation efforts, although publicly applauded by the Reagan White House, have gone nowhere in the face of systematic United States opposition. Time appears to be running out on Contadora. The tensions between Nicaragua and Honduras have risen to explosive levels as Honduran military complicity in the United States-backed guerrilla war being conducted aganist the Sandinistas has become evident. Nicaraguan–Costa Rican tensions are also heating up as Edén Pastora Gomez and his ARDE (Revolutionary Democratic Alliance) guerrillas have intensified their activities. The possibility of open warfare between Nicaragua and Honduras looms increasingly large. The Reagan administration is stepping-up military aid to the Honduran and the Salvadoran militaries and even to the army-less Costa Ricans. The potential for region-wide conflict in which the United States might eventually become directly involved has never been greater.

The Reagan administration would certainly like to avoid any direct United States troop involvement in the Central American conflict and has repeatedly denied any plans to send American boys to die in the jungles. The recent displays of "gunboat diplomacy" in Honduras were clearly meant to intimidate the Sandinistas into more acceptable behavior (halt arms supplies to El Salvador, restore political pluralism and a mixed economy) and thereby avoid the need for United States intervention. The covert war waged by the United States Central Intelligence Agency is apparently directed toward similar ends.

While Mexico and President Miguel de la Madrid retain sufficient autonomy to maneuver diplomatically through the Contadora Group, the trend toward militarization and confrontation appears to make Mexico and the Contadora initiative increasingly irrelevant to the Central American equation. As political negotiations take a backseat to the force of arms, an economically crippled and militarily weak Mexico appears to have only a limited role to play in the Central American tragedy. ■

[9]Arthur Schlesinger Jr., "The Central American Dilemma," *The Wall Street Journal*, July 20, 1983, p. 26; Gerald F. Seib, "U.S.-Supported Nicaraguan Rebel Force Increases Attacks, Making Congress Wary," *The Wall Street Journal*, August 29, 1983, p. 14.

BOOK REVIEWS

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water, sewage and electric service. They called for a boycott on mortgage payments, city and state taxes, water and electric charges, building permit fees and license fees. Demonstrations and confrontations with the police followed. Both men and women battled with the police for a year and a half, and the movement attracted attention all over the country.

The final outcome, however, was failure. Their leaders had inevitably become entangled in a web of reciprocal relations with the political and government officials to whom they appealed. The CRC was neutralized by being absorbed into a the official government party.

The author believes that Mexican hierarchial social structure and the emphasis on *confinaza,* "mutual trust" and reciprocity "was primary in the development and eventual limitation of the CRC." "The irony is that even though the CRC arose as a partial

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THE MONTH IN REVIEW

A Current History chronology covering the most important events of October, 1983, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Arms Control

(See *U.S.S.R.; U.S., Foreign Policy*)

Council for Mutual Economic Assistance (COMECON)

Oct 18—Leaders of the 10 nations of the COMECON trade bloc open their annual policy meeting in East Berlin with a call for greater cooperation in food production and energy saving.

Grenada Invasion

(See also *U.N.; Cuba; U.S.S.R.; U.K., Great Britain; U.S., Foreign Policy, Legislation*)

Oct. 25—In Washington, D.C., U.S. President Ronald Reagan announces that he ordered a pre-dawn invasion of the Caribbean island of Grenada; President Reagan says that the invasion force of 1,900 U.S. soldiers and 600 police and militia forces from 7 Caribbean nations was requested by the Organization of Eastern Caribbean States.

At an afternoon news conference, U.S. Secretary of State George Shultz says that at least 30 Soviet advisers have been captured; Shultz says that the safety of 1,000 U.S. citizens on the island was the paramount reason for the invasion.

Oct. 26—U.S. Secretary of Defense Caspar Weinberger tells a news conference that, although the invasion is meeting heavy resistance from Cuban troops, it is succeeding; he lists U.S. casualties at 6 killed and 33 wounded.

The 1st plane-load of U.S. citizens from Grenada arrives in the U.S.; most of the evacuees are students at St. George's Medical School.

At a meeting of the Organization of American States (to which the U.S. belongs), most delegates condemn the U.S. action as a violation of international law.

Oct. 27—In a debate in the U.N. Security Council, U.S. Ambassador to the U.N. Jeane Kirkpatrick says that the invasion of Grenada by the U.S. was permissible under the U.N. charter because "madmen" had taken control of the island.

Reagan administration officials report that evidence found by the invasion force proves that Grenada planned to take U.S. citizens hostage in the near future.

In a nationally televised speech, President Reagan says that the U.S. invasion force prevented a Cuban occupation of Grenada that would have made the island a "Soviet–Cuban colony . . . to export terrorism and undermine democracy."

Great Britain's Prime Minister Margaret Thatcher tells the House of Commons that her government would take part in a peacekeeping force for Grenada if requested by the U.S. and the Caribbean nations. She warned the U.S. against invading Grenada.

Oct. 28—The Soviet Union accuses the U.S. of firing on the Soviet Embassy in Grenada, wounding a member of the embassy staff; the U.S. denies the action.

Oct. 29—The U.S. Senate adopts an amendment requiring the government to allow independent press coverage of the Grenada invasion by a vote of 53 to 18.

The Cuban government says that there are only 784 Cubans on Grenada; the U.S. has said there are 1,100.

Oct. 30—The U.S. Defense Department reports that General Hudson Austin, the leader of the revolutionary council, has been captured.

The U.S. Defense Department lifts some of the restrictions on reporters wanting to cover the invasion; uncensored coverage of the invasion has not been allowed.

Senior U.S. State Department officials say they will not quarrel with the Cuban statement that there were 784 Cubans in Grenada.

Oct. 31—The U.S. government reports that at least 100 Cubans have been killed or wounded in the fighting and that 650 have been captured. The government also reports that 18 U.S. soldiers have been killed and 86 wounded since the invasion began.

Canada and Trinidad and Tobago agree to take part in a Commonwealth Security Force for Grenada; several other Commonwealth nations have indicated that they would take part in the force.

Iran–Iraq War

(See *Intl, U.N.; France; Iran*)

Lebanon in Crisis

(See also *France; U.S., Foreign Policy*)

Oct. 1—Walid Jumblat, head of the Druse Muslim militia fighting the government of President Amin Gemayal, says that Palestine Liberation Organization (PLO) fighters in the Shuf Mountains are sabotaging the Druse cause and are using the mountains as a base of operations against the Israelis in southern Lebanon.

Oct. 2—President Gemayal accuses Jumblat of partitioning Lebanon; Jumblat declared yesterday that a local administration is being set up in Druse-controlled areas to take the place of the government.

Oct. 5—President Gemayal agrees to accept a cease-fire monitoring force made up of third world forces; Syria and the Druse have pressed for such a force.

Oct. 15—U.S. Marines, part of the multinational peacekeeping force in Beirut, announce that they have killed 5 snipers; 1 Marine was killed and 1 wounded yesterday by snipers.

Oct. 16—In the southern Lebanese town of Nabatiye, residents clash with Israeli troops; 1 Arab is killed and several are wounded when Israeli soldiers open fire on the crowd.

Oct. 18—The government announces that the October 20 national reconciliation talks will be held at the Beirut International Airport.

Oct. 19—A car bomb explodes near a U.S. Marine force on patrol; 4 Marines are wounded.

Oct. 20—Planned talks on national reconciliation are cancelled after Druse leader Jumblat says he would not be safe at the Beirut airport; the new site is Ge-

neva, Switzerland, with talks scheduled to begin on October 24 or 25.

Oct. 23—A truck loaded with at least 2,500 pounds of TNT is driven into the U.S. Marine headquarters and barracks in Beirut and explodes; at least 147 Marines and other U.S. servicemen are dead and 75 are wounded. Another truck loaded with explosives explodes at the French barracks in Beirut, killing at least 27 French paratroopers and wounding 12.

Oct. 24—Both the Iranian and Syrian governments reject U.S. suggestions that they were responsible for the bombing yesterday of the U.S. and French military posts in Beirut. U.S. Secretary of Defense Caspar Weinberger said yesterday that "circumstantial evidence" pointed to possible Iranian involvement. The "Free Islamic Revolution Movement" has claimed responsibility for the attack.

Oct. 26—U.S. Vice President George Bush visits the scene of the bomb blast at the U.S. barracks; he says that terrorism will not be allowed to shape U.S. foreign policy.

Meeting in Beirut, senior officers of the peacekeeping force say that it is impossible to guarantee the safety of the troops in the peacekeeping force.

Oct. 27—The foreign ministers of the 4 peacekeeping force countries, the U.S., Britain, Italy and France, meet in Paris; they discuss the possibility of retaliating against those responsible for the bombings of the U.S. and French troops.

In a nationally televised news conference, U.S. President Ronald Reagan says that those who committed the atrocity will be punished.

Hussein Musavi, head of the Islamic Amal, a pro-Iranian Shiite group that has been blamed by some Western diplomats for the bombing, says that his group did not do it; but he calls the bombing a "good deed."

Oct. 31—The death toll from the bombing of the U.S. Marine barracks stands at 230; an additional 200 Marines land, bringing to 2,000 the number of U.S. peacekeeping troops in Beirut.

In Geneva, the 1st session of national reconciliation talks among Lebanon's warring factions begins; President Gemayal, Druse leader Jumblat and 10 others take part in the 20-minute discussions.

Organization of American States (OAS)

(See *Grenada Invasion*)

Organization of Eastern Caribbean States

(See *Grenada Invasion*)

North Atlantic Treaty Organization (NATO)

(See also *Warsaw Pact*)

Oct. 27—Meeting in Quebec, NATO defense ministers report that they have agreed to discard 1,400 outmoded nuclear warheads based in Europe.

United Nations (U.N.)

(See also *Grenada Invasion*)

Oct. 18—The U.N. Food and Agricultural Organization warns that 22 African countries, including countries like Zimbabwe that have heretofore been self-sufficient, are facing catastrophic food shortages brought on by drought conditions.

Oct. 25—The 22d General Conference of the U.N. Educational, Scientific and Cultural Organization opens in Paris; the Soviet Union calls for a "new world information and communication order" with international curbs on press freedom.

Oct. 28—The Security Council votes 11 to 1 with 3 abstentions for a resolution "deeply deploring" the U.S. invasion of Grenada; the U.S. vetoes the resolution.

Iran charges that the U.N. supports Iraq in the war between the 2 countries.

Oct. 31—The Security Council votes 12 to 0, with 3 abstentions, to ask Iran and Iraq to "cease immediately all hostilities" in the Persian Gulf region; this is the 4th resolution to this effect since hostilities started in September, 1980.

Warsaw Pact

Oct. 21—Meeting in East Berlin, the defense ministers of the Warsaw Pact nations issue a communiqué in which they say that under no circumstances will they allow NATO nations to achieve military superiority.

AFGHANISTAN

Oct. 25—A Western diplomat reports that Afghan and Soviet troops have killed several hundred civilians in attacks in the last month on Istalif, near Kabul.

ARGENTINA

Oct. 1—The Economy Ministry announces that it has imposed foreign exchange controls and has suspended the issuing of new import licenses.

Oct. 3—Frederico Pinto Kramer, a judge in Buenos Aires, orders the jailing of the president of the central bank, Julio González del Solar; the judge says that part of a debt refinancing agreement del Solar reached with bankers in the U.S. was illegal.

Oct. 4—A 24-hour strike called by 2 Peronist-dominated labor unions shuts down most of the country's businesses, industries and public transportation.

Oct. 5—A federal appeals court strips Judge Pinto Kramer of jurisdiction in the case that led to the arrest of del Solar; the ruling will allow a new $40-billion debt refinancing agreement to proceed.

Oct. 11—The military government reports that September's inflation rose to an annual rate of 924 percent.

Oct. 31—Raúl Alfonsín, head of the Radical Civic Union, is elected President; Alfonsín won 52 percent of the votes cast in yesterday's election. The Peronist party candidate, Italo Luder, won only 40 percent of the vote in the party's 1st defeat in 40 years. Argentina has been governed by the military since 1975.

BANGLADESH

Oct. 26—Lieutenant General H. M. Ershad, the government leader, says that elections will be held next year.

BRAZIL

Oct. 6—In Washington, D.C., 60 major banks issue a statement saying that they have agreed to lend Brazil $12 billion in new loans to avoid default on its $90-billion foreign debt.

Oct. 19—After tumultuous congressional debates on a law that would limit wages, President João Baptista Figueriedo invokes emergency powers limiting public meetings and allowing warrant-less searches.

Oct. 20—After Congress votes down the government's proposal on limiting wages, President Figueriedo imposes the proposal by decree.

BURMA

(See *Korea, South*)

CANADA

Oct. 16—Minister of the Environment Charles L. Caccia signs an agreement with U.S. Secretary of State George Shultz and Environmental Protection Agency administrator William Ruckelshaus that calls for reductions in the amount of phosphorus in fertilizers and pesticides that seep into the Great Lakes.

CHILE

Oct. 11—More than 40,000 people demonstrate in Santiago against the military government of President Augusto Pinochet; the police use tear gas and water cannon to disperse the marchers.

Oct. 17—Juan Pablo Cárdenas, the editor of a magazine that criticized the government, is released on bail after 3 weeks in jail; he faces charges of "slandering" Pinochet and "defaming" the armed forces.

CHINA

Oct. 3—Deputy Foreign Minister Qian Qichen tells Japanese journalists in Beijing that in upcoming talks China will urge the Soviet Union to remove nuclear missiles from the Chinese–Soviet border.

Oct. 6—Deputy Foreign Minister Qian meets in Beijing with a delegation from the Soviet Union headed by Deputy Foreign Minister Leonid F. Ilyichev for new talks on normalizing relations.

Oct. 11—China becomes the 112th member of the International Atomic Energy Agency; it has still not agreed to allow international inspection of its nuclear reactors.

Oct. 12—Journalists in Beijing are issued a document detailing a purification drive in the Communist party; the document calls for the political indoctrination of party members in the ideas of de facto head of state Deng Xiaoping.

COSTA RICA

Oct. 11—Visiting the region, members of a U.S. commission on Central America meet with the political leader of a guerrilla group trying to overthrow the Nicaraguan government.

CUBA

(See *Intl, Grenada Invasion; Suriname*)

EL SALVADOR

Oct. 8—U.S. labor advisers report that there has been an upsurge in killings of Salvadoran union members by right-wing death squads in the last few weeks.

Oct. 12—On a fact-finding mission to El Salvador, former U.S. Secretary of State Henry Kissinger says that the U.S. is dedicated to democracy and human rights in El Salvador; Kissinger heads a U.S. commission on Central America that is touring Central America this week.

Oct. 18—*The New York Times* reports that members of the U.S. commission on Central America met with the head of the far-right Salvadoran National Republican Alliance, Robert d'Aubuisson, who said that government soldiers take part in the country's death squads; more than 1,300 civilians have been killed by the death squads in 1983.

FRANCE

(See also *Intl, Lebanon in Crisis*)

Oct. 9—Foreign Minister Claude Cheysson refuses to confirm that France has sent 5 jet fighters to Iraq; Iran has threatened to close the entrance to the Strait of Hormuz if the planes are delivered.

Oct. 23—Prime Minister Pierre Mauroy condemns yesterday's bomb attack on the French and U.S. peacekeeping forces in Beirut; he says French troops will not be withdrawn because of the attack.

Oct. 24—President François Mitterrand visits the site of the bombed French post in Beirut, where more than 50 French soldiers died.

GERMANY, EAST

Oct. 5—In an interview carried on Austrian television, Chairman Erich Honecker says that East Germany will remove all the booby-trap guns along the border with West Germany; about 55,000 guns have been placed along the border.

GERMANY, WEST

Oct. 15—Foreign Minister Hans-Dietrich Genscher meets with Soviet Foreign Minister Andrei Gromyko for talks on the stalled intermediate-range nuclear arms negotiations in Geneva.

Oct. 22—Following a week of light attendance at other demonstrations, almost 1.2 million people take part in protests in Bonn, Hamburg, West Berlin, Stuttgart and Neu Ulm against the deployment of new U.S. intermediate-range missiles in Europe.

GRENADA

(See also *Intl, Grenada Invasion*)

Oct. 16—The Ambassador to Cuba, Major Liam Omo Cornwall, announces that there has been a coup; Prime Minister Maurice Bishop has been deposed.

Oct. 20—Radio Free Grenada reports that a 16-member Military Council headed by General Hudson Austin has taken charge of the country. A 24-hour "shoot-to-kill" curfew has been ordered.

Oct. 21—The government of Barbados confirms reports that Prime Minister Bishop and most of his Cabinet were killed by the military on October 19.

Oct. 22—The government radio issues warnings that a U.S. invasion is imminent.

GUATEMALA

Oct. 2—Defense ministers of Guatemala, Honduras and El Salvador meet in Guatemala City and revive the Central American Defense Council; the head of the U.S. Southern Command also attends the meeting.

HONDURAS

Oct. 14—Government officials tell the visiting U.S. commission on Central America that Honduras will need \$500 million a year in economic aid for the next 12 years and an increase in military aid to \$400 million a year over the next 3 years.

INDIA

Oct. 6—The government takes direct control of the state of Punjab following violence between Hindu and Sikh militants; 20 people have been killed in the last week by Sikhs demanding greater autonomy for Punjab.

IRAN

(See also *Intl, Lebanon Crisis, U.N.*)

Oct. 4—Prime Minister Hojatolislam Ali Khamenei says that Iran will not allow the U.S. or any other power to interfere in the Persian Gulf.

ISRAEL

(See also *Intl, Lebanon in Crisis*)

Oct. 5—A government ministerial committee announces that it has approved 6 new settlements on the occupied West Bank.

Oct. 10—Parliament votes 60 to 53 to approve the Cabinet and the new Prime Minister, Yitzhak Shamir,

Oct. 11—The government devalues the shekel by 23 percent and raises prices on subsidized foods; inflation is about 130 percent a year.

Oct. 13—Finance Minister Yoram Aridor resigns after the Cabinet rejects his proposal to switch to the U.S. dollar from the shekel as the national currency.

Oct. 18—Yigal Cohen-Orgad is approved by the Parliament as the new Finance Minister.

Oct. 19—Prime Minister Shamir's government survives a vote of no-confidence.

ITALY

(See *U.S., Foreign Policy*)

JAPAN

Oct. 7—The government declares that Japan is a "member of the West" and that its foreign policy will reflect that orientation.

Oct. 12—The Tokyo district court finds former Prime Minister Kakuei Tanaka guilty of accepting a $2.1-million bribe for the sale of Lockheed aircraft in Japan; he is ordered to spend 4 years in prison and pay a $2.1-million fine.

Tanaka's lawyers appeal the ruling; Tanaka says he will not relinquish his seat in the Diet because of the court's ruling.

Oct. 31—The government announces that it will continue to curb car exports to the U.S. for a 4th year; the self-imposed restriction will allow Japan to export 1.85 million cars to the U.S. in 1984.

JORDAN

(See *U.S., Foreign Policy*)

KENYA

Oct. 12—President Daniel arap Moi is formally sworn in for his 2d 5-year term.

KOREA, NORTH

(See *Korea, South*)

KOREA, SOUTH

Oct. 9—Minutes before President Chun Doo Hwan arrives, a bomb explodes at a wreath-laying ceremony in Rangoon, Burma, where a Korean delegation is visiting; 2 of Chun's leading advisers and 4 Cabinet ministers are among the 17 Koreans killed in the blast.

Oct. 14—President Chun's entire Cabinet resigns to allow him to reorganize his government; new members are announced later in the day.

Oct. 15—A South Korean investigation team reports that North Korean agents using explosives similar to those used in other incidents were responsible for the bombing in Rangoon; other diplomatic sources say the killings may have been the responsibility of a Burmese terrorist group.

LEBANON

(See *Intl, Lebanon in Crisis*)

MOZAMBIQUE

Oct. 17—4 South African exiles are hurt after a bomb planted by South African agents explodes in Maputo.

NETHERLANDS

Oct. 29—Almost 500,000 people demonstrate at The Hague to protest the planned deployment of U.S. intermediate-range nuclear missiles in West Europe in December.

NICARAGUA

(See also *U.S., Foreign Policy, Legislation*)

Oct. 12—The government evacuates the 25,000 residents of the port of Corinto after U.S.-backed guerrillas attacked fuel storage tanks there yesterday.

Oct. 20—Foreign Minister Miguel d'Escoto Brockman presents the U.S. government with 4 treaties detailing a framework for the "international peace and security of all the Central American states."

NIGER

Oct. 6—President Seyni Kountché says that yesterday's attempted coup has been crushed.

NIGERIA

Oct. 1—President Shehu Shagari is inaugurated for a 2d term.

PAKISTAN

Oct. 5—Rana Mohammad Zafrullah, president of the Pakistan Democratic party, says that police and soldiers are torturing political prisoners; the government denies the charges.

Oct. 23—The government announces that it has arrested over 4,000 people who demonstrated against the military government of President Mohammad Zia ul-Haq in the last 10 weeks.

PHILIPPINES

Oct. 1—The government announces that it has a witness who can prove that the Communist party ordered the assassination of former Senator and opposition leader Benigno S. Aquino Jr. on August 21.

Oct. 2—A military official reports that guerrillas killed 46 people, including 39 Philippine soldiers, in an attack on September 29. The guerrillas are members of the New People's Army, which is part of the Philippine Communist party.

Oct. 5—The government devalues the peso by 21.5 percent to alleviate financial pressures exacerbated by political opposition to President Ferdinand Marcos.

Oct. 10—The commission appointed by President Marcos to investigate the Aquino killing resigns because of widespread doubts about the panel's impartiality.

Oct. 22—President Marcos announces the formation of a new panel to investigate the Aquino killing.

Oct. 28—Former Senator Salvador H. Laurel, president of a coalition of 12 opposition parties, announces that the coalition will take part in elections scheduled for May, 1984, if President Marcos accedes to the demands of the coalition.

Oct. 31—President Marcos announces that if he were incapacitated, the Prime Minister would succeed him; critics have asked President Marcos to clarify the way power would be shifted in an emergency.

POLAND

(See also *U.S.S.R.*)

Oct. 5—Lech Walesa, head of the banned trade union Solidarity, is awarded the Nobel peace prize for his work for "peace and freedom."

Oct. 11—The government says that the Polish people are "embarrassed" by Walesa's award; on October 5 crowds burst into applause when the award was announced over television.

SOUTH AFRICA

(See *Mozambique*)

SURINAME

Oct. 26—The government orders the Cuban ambassador out of the country and suspends all agreements with Cuba.

SYRIA

(See *Intl, Lebanon in Crisis; U.S., Foreign Policy*)

TURKEY

Oct. 4—The military government finishes screening the parties that will be allowed to take part in next month's elections.

Oct. 8—The government bans teachers, high school students, civil servants and soldiers from forming associations.

Oct. 31—The preliminary death toll from yesterday's earthquake is 980; more than 17 villages in the eastern area were hit by the quake.

UGANDA

Oct. 4—President Milton Obote grants full amnesty to 2,100 prisoners to mark the 21st anniversary of independence from Great Britain.

U.S.S.R.

(See also *Intl, Grenada Invasion, U.N.; Afghanistan; China; Germany, West; U.S., Foreign Policy*)

Oct. 1—An antinuclear demonstration staged by the government takes place in Moscow; thousands of Muscovites carry banners and posters protesting the deployment of U.S. medium-range nuclear missiles in West Europe in December.

Oct. 7—The U.S. government reports that the Soviet Far Eastern air command, which was responsible for directing the shooting down of the Korean civilian airliner on September 1, has been purged because it allowed the plane to stray over Soviet territory and because it misidentified the plane as a U.S. reconnaissance plane.

Oct. 8—The government newspaper *Izvestia* reports that Lech Walesa, head of the banned Polish trade union Solidarity and winner of the 1983 Nobel peace prize, is a money-grubbing, foul-mouthed demagogue.

Oct. 13—Oleg Radzinsky, the founder of a group that was trying to promote peace and understanding between the Soviet Union and the U.S., is sentenced to a year in prison and 5 years in internal exile for "slandering the Soviet state."

Marshal Viktor G. Kulikov, commander in chief of the Warsaw Pact forces, says that the Soviet Union will deploy more nuclear missiles in Europe if U.S. intermediate-range missiles are deployed in West Europe in December.

Oct. 17—Colonel General Nikolai Chervov, a member of the Soviet general staff, confirms that Soviet troops in East Europe are armed with short-range nuclear missiles.

Oct. 24—The Defense Ministry announces that preparations are under way in East Germany and Czechoslovakia for stationing tactical nuclear weapons if U.S. missile deployment plans proceed.

Oct. 25—The press agency Tass says that the U.S. has engaged in "undisguised banditry" in today's invasion of the island of Grenada.

Oct. 26—President Yuri Andropov proposes that the Soviet Union's SS-20 intermediate-range nuclear missile force be reduced from 240 to 140; he also says that talks in Geneva on the reduction of SS-20 missiles cannot continue if the U.S. deploys intermediate-range missiles in December.

UNITED KINGDOM

Great Britain

Oct. 2—At the Labor party's annual convention, Neil Kinnock is elected head of the party.

Oct. 14—Cecil Parkinson, Minister for Trade and Industry, resigns from his post after it is revealed that he has a pregnant mistress; Parkinson managed Prime Minister Margaret Thatcher's reelection campaign last summer.

Oct. 22—More than 100,000 people demonstrate in London against nuclear weapons; this is the largest antinuclear demonstration in British history.

Oct. 25—Prime Minister Thatcher tells Parliament that her government advised the U.S. against invading the island of Grenada. Grenada is a member of the British Commonwealth.

Oct. 31—The House of Commons reaffirms Britain's commitment to deploy U.S. cruise missiles in December if negotiations on the reduction of Soviet SS-20 missiles fail; the vote is 362 to 218.

UNITED STATES

Administration

Oct. 3—In a White House ceremony, Katherine Ortega is sworn in as Treasurer of the United States.

Oct. 9—Secretary of the Interior James Watt resigns; President Ronald Reagan "reluctantly" accepts his resignation.

Oct. 13—President Reagan selects William P. Clark, his National Security Adviser, as his nominee for Secretary of the Interior.

Oct. 17—President Reagan signs letters formally authorizing the formation of a 1984 reelection committee on his behalf and informing the Federal Election Commission that he is authorizing the committee.

The Environmental Protection Agency issues a report that says that the "greenhouse effect," which will have a pronounced warming effect on the earth, will become noticeable in the 1990's.

President Reagan appoints special presidential Middle East envoy Robert C. McFarlane as his National Security Adviser to replace Clark.

Oct. 22—While President Reagan is playing golf at Augusta National Golf Course in Georgia, an armed man takes several hostages in the club's pro shop and asks to speak to the President; the gunman is captured and the hostages are released unharmed.

Civil Rights

Oct. 18—Chairman of the Equal Employment Opportunity Commission Clarence Thomas announces that the General Motors Corporation has agreed to an out-of-court settlement of $42.5 million in an employment discrimination case against the company first filed by

the commission 10 years ago in 1973.

Oct. 25—President Reagan fires 3 members of the U.S, Commission on Civil Rights who disagreed with his policies toward blacks, women and Hispanics; last May, the President asked these 3 to resign.

Economy

Oct. 7—The Labor Department reports that the nation's unemployment rate fell to 9.1 percent in September.

Oct. 10—The New York Stock Exchange's Dow Jones industrial average rises to a record high of 1,284.65.

Oct. 14—The Labor Department reports that its producer price index rose 0.2 percent in September.

Oct. 20—The Commerce Department reports that the nation's gross national product (GNP) rose at an annual rate of 7.9 percent in the 3d quarter of 1983.

Oct. 25—The Labor Department reports that its consumer price index rose 0.5 percent in September.

Oct. 26—The Treasury Department reports that the U.S. budget deficit for fiscal 1983 was $195.354 billion.

Oct. 28—The Commerce Department reports that its index of leading economic indicators rose 0.9 percent in September.

The Commerce Department reports that the U.S. foreign trade deficit fell to $5.8 billion in September.

Foreign Policy

(See also *Intl, Grenada Invasion, Lebanon Crisis, U.N.; Canada; Costa Rica; El Salvador; Grenada; Guatemala; Honduras; Iran; Nicaragua; U.S.S.R.; U.K., Great Britain*)

Oct. 3—White House spokesman Larry Speakes reports that the President's November visit to the Far East will no longer include the Philippines, Indonesia and Thailand.

Oct. 4—President Reagan makes public new arms reduction proposals for chief U.S. arms reduction negotiator Edward Rowny to take to the U.S.–Soviet Geneva arms talks opening tomorrow; he proposes a "build-down," i.e., the deployment of new nuclear warheads by either side should be accompanied by the destruction of a greater number of older missiles.

Oct. 14—President Reagan signs an executive order to extend indefinitely the export controls of the Export Administration Act; its latest congressional extension was due to expire October 15.

Oct. 15—According to administration sources, the Central Intelligence Agency assisted in planning and targeting recent rebel attacks against oil depots and industrial targets in Nicaragua.

Oct. 19—At a televised news conference, President Reagan says the Syrians are "foot-dragging" on peace in Lebanon, that they have some "7,000 Soviet advisers and technicians" there and that the U.S. will not allow them to ruin chances for peace in Lebanon.

Oct. 20—President Reagan meets in Washington, D.C., with Italian Prime Minister Bettino Craxi to discuss the deployment of new U.S. missiles in Europe.

Oct. 21—Administration sources report that for the last 2½ years the U.S. has been secretly training a Jordanian strike force to be used in military emergencies in the Persian Gulf region; the administration is seeking some $220 million in secret financing for a Jordanian force.

Reporting to the President on the 6-day trip of his commission on Central America, chairman Henry Kissinger calls the situation "graver than most of us had expected."

The State Department calls Nicaragua's offer to pledge not to support guerrillas in El Salvador if the U.S. would halt support for the rebels in Nicaragua "deficient" and not acceptable.

Oct. 23—President Reagan denounces the "despicable" terrorist attack on Marine Corps headquarters in Beirut that killed most of the Marine contingent in the building.

Oct. 24—President Reagan says that it is "central to our credibility on a global scale" to continue to keep U.S. Marines in Lebanon.

Oct. 25—President Reagan announces that he ordered a pre-dawn invasion of Grenada by some 1,900 U.S. forces.

Oct. 29—The Defense Department announces that 1,200 of the Marines in Grenada have been replaced and are being sent to Lebanon.

Labor and Industry

(See also *Civil Rights*)

Oct. 5—Delegates to the A.F.L.-C.I.O. convention meeting in Hollywood, Florida, endorse Walter Mondale as their candidate for the Democratic presidential nomination.

Legislation

(See also *Intl, Grenada Invasion*)

Oct. 4—Speaker of the House Thomas P. O'Neill Jr. (D., Mass.) says that the House will take no action this year on a bill to revise the nation's immigration laws.

Oct. 6—The Senate and House approve an 18-day extension of Federal Supplemental Compensation, a benefit program for the long-term unemployed; the measure goes to President Reagan.

Oct. 12—President Reagan signs legislation declaring that the War Powers Act applies to Lebanon and authorizing the presence of U.S. forces there for 18 months.

Oct. 19—Voting 78 to 22, the Senate passes a bill to make the birthday of Martin Luther King Jr. a national holiday on the 3d Monday of January, starting in 1986; the House passed the bill earlier and the President says he will sign the legislation.

Oct. 20—Voting 227 to 194, the House votes against attaching a rider funding the Nicaraguan rebels to the House intelligence authorization bill.

Oct. 26—Voting 56 to 40, the Senate rejects a bill to provide $1.5 billion in funding for the controversial Clinch River (Tenn.) breeder reactor.

Oct. 28—Voting 64 to 20, the Senate adopts an amendment declaring that the War Powers Act is in effect for Grenada; the amendment is part of the bill raising the federal debt limit. If signed into law, President Reagan will have to withdraw U.S. troops within 60 days.

Oct. 31—President Reagan signs a $104.4-billion appropriation bill for the Departments of Health and Human Services, Education and Labor; Congress passed the measure 11 days ago.

The Senate votes 58 to 40 to table an amendment to the bill raising the federal debt limit; the amendment calls for a "mutual verifiable freeze" in nuclear arms for the U.S. and the Soviet Union.

VIETNAM

Oct. 2—The Vietnam News Agency reports that 97,000 people from the cities and densely populated plains have been resettled in "new economic zones" in the last 9 months. ■

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Volume 82, Numbers 480–488

SUBJECTS

AUTHORS

BOOK REVIEWS

(Continued from page 437)

response to basic conditions of inequality and scarcity, it eventually became one more mechanism that contributed to even greater scarcity and inequality for many in Netzahualcoyotl."

A LEGACY OF PROMISES: AGRICULTURE, POLITICS, AND RITUAL IN THE MORELOS HIGHLANDS OF MEXICO. *By Guillermo de la Peña.* (Austin: University of Texas Press, 1982. 289 pages, tables and figures, appendixes, and index, $25.00.)

The subject of this book is described by the author as "the use and organization of land and labor in a 'peasant' region called the Morelos Highlands." This is a concise review of the tightly organized agricultural societies of the pre-colonial and colonial periods; of the symbiotic relationship of the highlands to the neighboring lowlands; and of the organizational disintegretation of agricultural societies as a result of the conflicting politics and policies of the 19th century as well as the voracity of the hacienda system.

COLONIAL ENTREPRENEURS: FAMILIES AND BUSINESS IN BOURBON MEXICO CITY. *By John E. Kicza.* (Albuquerque: University of New Mexico Press, 1983. 313 pages, maps, tables, illustrations, appendix, notes, bibliography and index, $24.95.)

In the late 18th century and into the middle of the 19th century, Mexico City had the largest population of any city in the New World and it surpassed all other cities in the diversity of its business institutions and the complexity of its social life. This is the first volume in a two-volume study of Mexican City life in the late colonial period, 1770 to 1821.

The first volume deals with the ethnic and demographic composition of the city; the highest elite—"the Great Families" of wealth and station; the organization and practices of international traders and merchants of the provincial trade; with retail merchants and wholesalers; the career opportunities in this sphere of the economy; the social and economic behavior of the most successful merchants, the personnel and operations of large-scale productive establishments like mills and slaughterhouses; and the artisans who were employed in scores of crafts. Throughout the study, the importance of family relationships in the expansion of family enterprise and wealth is stressed. John Kicza's lively style makes this in-depth study of Bourbon Mexico City most readable. ■

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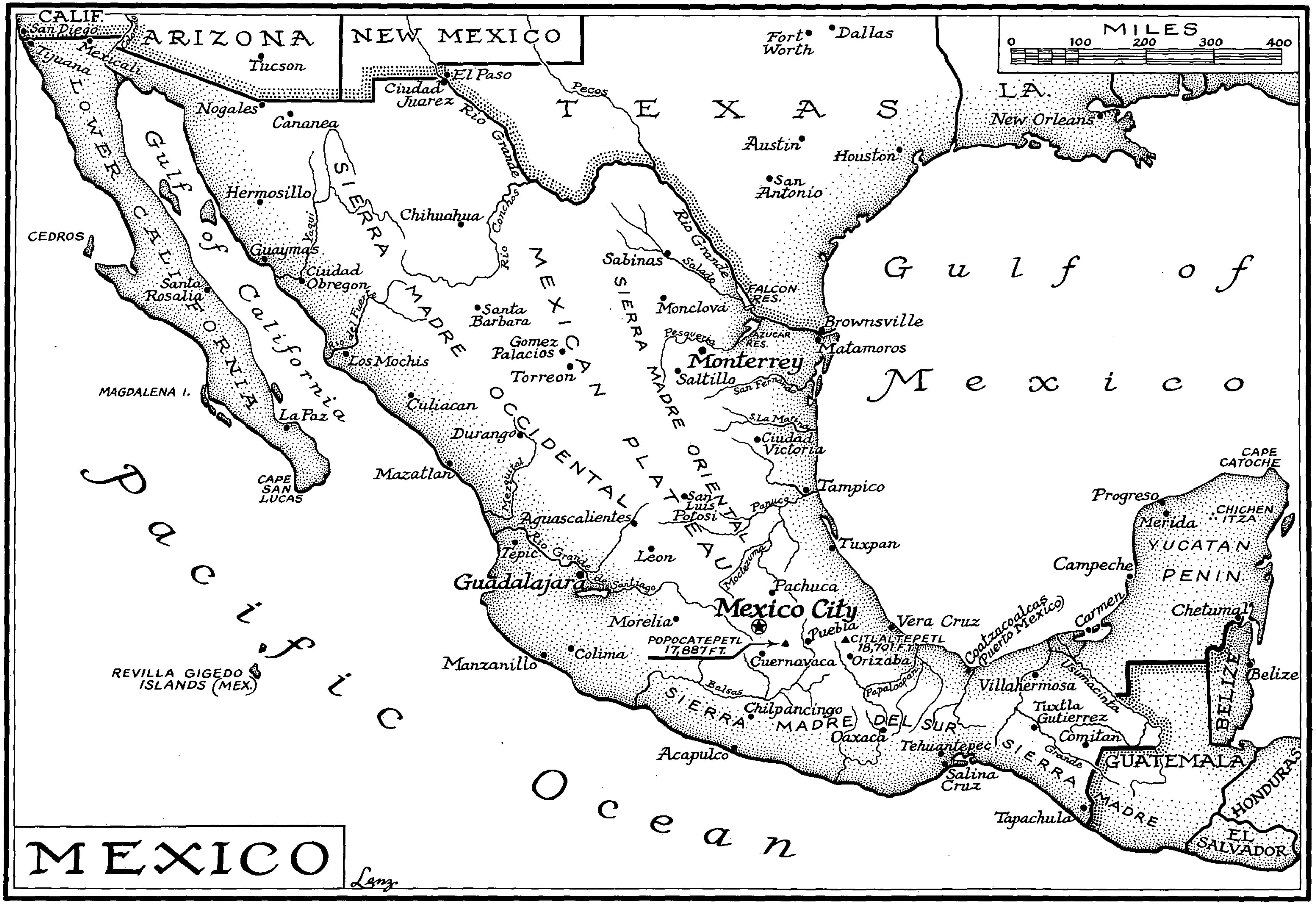
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TEXAS
LA.
Gulf of Mexico
Pacific Ocean
Gulf of California
LOWER CALIFORNIA
San Diego
Tijuana
Mexicali
Tucson
Nogales
Cananea
El Paso
Ciudad Juarez
Rio Grande
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Fort Worth
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Santa Rosalia
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MEXICAN PLATEAU
SIERRA MADRE ORIENTAL
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